

**CANYON FUEL COMPANY, LLC
SKYLINE MINE
C/007/005**

**NORTH LEASE
INCIDENTAL BOUNDARY CHANGE
(IBC)**

June 2007

File in:

- ☐ Confidential
- ☐ Shelf
- ☒ Expandable

Refer to Record No 0036 Date 6/19/07
In C/ 007/005, 3007, Incoming
For additional information



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Gregg Galecki, Environ. Coordinator
HCR 35, Box 380
Helper, UT 84526
(435) 448-2636 - Office
(435) 448-2632 - Fax

June 19, 2007

Ms. Pam Grubaugh-Littig
Permit Supervisor
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

RE: North Lease Incidental Boundary Change (IBC), Canyon Fuel Company, LLC, Skyline Mine, C/007/005,

Dear Ms. Grubaugh-Littig:

Please find enclosed with this letter modifications to the M&RP to address expanding the current permit area. The amendment proposes expansion of the existing permit area by approximately 680 acres. The 680 acres lie immediately east of the North Lease portion of the existing permit area. A map outlining the IBC is attached to this letter for convenience.

Under the proposed Mine Plans sequence mining activities will cross the existing permit boundary in January 2008, and Skyline Mine is requesting the Incidental Boundary Change (IBC). The modification is categorized as an IBC because the area of expansion is less than 15% of the area currently permitted, does not engage in operations outside the cumulative impact area as defined in the Cumulative Hydrologic Impact Area (CHIA), and does not engage in operations in hydrologic basins other than those authorized in the currently approved permit. Supporting information includes appropriate text changes and twenty two (22) maps that were modified to illustrate the new permit boundary, including recent modifications to the Waste Rock Disposal site. Expansion into the IBC includes only development mining, no surface disturbance or subsidence associated with longwall mining is anticipated.

Also included is letter addressed to you outlining the separation of coal ownership and surface ownership. Copies of the letter are included in the amendment with instructions (C2 form) that the letter be included in the M&RP (Appendix 118).

The submittal includes completed C1 and C2 forms, an application guidance document – identifying where pertinent regulations are addressed, and eight (8) copies of both clean and redline versions of the text modifications.

If you have any questions, please call me at (435) 448-2636.

Sincerely,

Gregg A. Galecki
Environmental Coordinator, Skyline Mine
Canyon Fuel Company, LLC
enclosures

APPLICATION FOR COAL PERMIT PROCESSING

Permit Change ☒ New Permit ☐ Renewal ☐ Exploration ☐ Bond Release ☐ Transfer ☐

Applicant: Canyon Fuel Company, LLC

Mine: Skyline Mine

Permit Number: C/007/005

Title: Incidental Boundary Change (IBC) in North Lease

Description: Include reason for application and timing required to implement:

IBC - North Lease

Instructions: If you answer yes to any of the first eight (gray) questions, this application may require Public Notice publication.

- | | |
|---|--|
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 1. Change in the size of the Permit Area? Acres: <u>680</u> Disturbed Area: <input type="checkbox"/> increase <input type="checkbox"/> decrease. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. Is the application submitted as a result of a Division Order? DO# _____ |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. Does the application include operations outside a previously identified Cumulative Hydrologic Impact Area? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. Does the application include operations in hydrologic basins other than as currently approved? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. Does the application result from cancellation, reduction or increase of insurance or reclamation bond? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. Does the application require or include public notice publication? |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 7. Does the application require or include ownership, control, right-of-entry, or compliance information? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. Is proposed activity within 100 feet of a public road or cemetery or 300 feet of an occupied dwelling? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. Is the application submitted as a result of a Violation? NOV # _____ |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 10. Is the application submitted as a result of other laws or regulations or policies? |
| <i>Explain:</i> _____ | |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 11. Does the application affect the surface landowner or change the post mining land use? |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 12. Does the application require or include underground design or mine sequence and timing? (Modification of R2P2) |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 13. Does the application require or include collection and reporting of any baseline information? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 14. Could the application have any effect on wildlife or vegetation outside the current disturbed area? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 15. Does the application require or include soil removal, storage or placement? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 16. Does the application require or include vegetation monitoring, removal or revegetation activities? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 17. Does the application require or include construction, modification, or removal of surface facilities? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 18. Does the application require or include water monitoring, sediment or drainage control measures? |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 19. Does the application require or include certified designs, maps or calculation? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 20. Does the application require or include subsidence control or monitoring? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 21. Have reclamation costs for bonding been provided? |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 22. Does the application involve a perennial stream, a stream buffer zone or discharges to a stream? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 23. Does the application affect permits issued by other agencies or permits issued to other entities? |

Please attach four (4) review copies of the application. If the mine is on or adjacent to Forest Service land please submit five (5) copies, thank you. (These numbers include a copy for the Price Field Office)

I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein.

Wesley K. Sorenson
Print Name

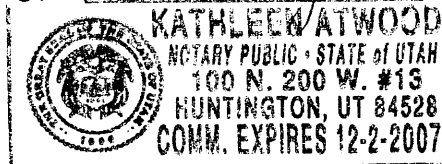
Wesley K. Sorenson
Sign Name, Position, Date

Subscribed and sworn to before me this 19th day of June, 2007

General Manager 6/19/07

Kathleen Atwood
Notary Public

My commission Expires: 12/2, 2007
Attest: State of Utah } ss:
County of Carbon



For Office Use Only: 	Assigned Tracking Number: 	Received by Oil, Gas & Mining
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APPLICATION FOR COAL PERMIT PROCESSING

Detailed Schedule Of Changes to the Mining And Reclamation Plan

Permittee: Canyon Fuel Company, LLC

Mine: Skyline Mine

Permit Number: C/007/005

Title: IBC - North Lease

Provide a detailed listing of all changes to the Mining and Reclamation Plan, which is required as a result of this proposed permit application. Individually list all maps and drawings that are added, replaced, or removed from the plan. Include changes to the table of contents, section of the plan, or other information as needed to specifically locate, identify and revise the existing Mining and Reclamation Plan. Include page, section and drawing number as part of the description.

DESCRIPTION OF MAP, TEXT, OR MATERIAL TO BE CHANGED

[illegible]

Any other specific or special instruction required for insertion of this proposal into the Mining and Reclamation Plan.

Received by Oil, Gas & Mining

Eight (8) redline/strikeout copies and eight (8) clean copies submitted.



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Gregg Galecki, Environmental Eng.
HCR 35, Box 380
Helper, UT 84526
(435) 448-2526 - Office
(435) 448-2632 - Fax

June 15, 2007

Ms. Pamela Grubaugh-Littig
Utah Coal Program
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84144-5801

RE: Incidental Boundary Change (IBC) to include S1/2S1/2 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SW1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M

Dear Pam:

Canyon Fuel Company, LLC (CFC), Skyline Mine intends to develop main entries into the W1/2NW1/4 of Section 1, and conventionally-mine storage rooms in the SW1/4 of Section 1 and N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M in coal that the company has leased from Energy Fuels Corporation and C&B Coal. The current surface land owners are the Allred Family Trust administered by Phil Allred, and Koula Marakis Trust administered by George E. and Helen Liodakis and Liodakis Ranch, LLC. CFC has notified the two trust administrators this area of their property will be undermined as main entries and room-and-pillar areas are developed from the existing Skyline Mine works toward areas north of Winter Quarters Canyon. In good-faith, Skyline Mine has confidential agreements in place with both of these family trusts that addresses undermining their property. CFC Skyline Mine will first-mine only in the portions of the Energy Fuels and C&B Coal leases described and no subsidence will occur as a result of the mining.

Utah Administrative Code **R645-301-114.200** relating to the general contents of a coal permit application provides that where the private mineral estate to be mined has been severed from the private surface estate, an applicant will submit one of the following: 1) a copy of the written consent of the surface owner, or 2) a copy of the conveyance that expressly grants or reserves the right to extract coal by certain coal mining and reclamation operations, or 3) documentation that the applicant has the legal authority under Utah law to extract the coal by the proposed operations. CFC Skyline Mine submits that it meets the requirements set forth under **114.210, 114.220, and 114.230**.

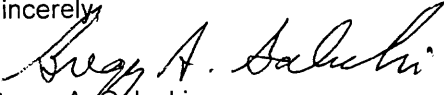
CFC Skyline Mine has been granted valid coal leases from Energy Fuels Corporation and C&B Coal, the owners of the coal estate, to conduct underground mining of coal in the W1/2 of Section 1 and the N1/2NW1/4 of Section 12, T13S, R6E, SLB&M, respectively. See, Amended Section 5 of Consent, Ratification, and Amendment of Lease and Agreement. Utah law recognizes the general rule that the rights of the owner (or rights of a lessee) of mineral rights in land are dominant over the rights of the owner of the fee to the extent reasonably necessary to extract the minerals from the affected lands. *Flying Diamond vs. Rust*, 551 P.2d 509 (Utah 1976) (copy attached to 8/8/02 letter to DOGM, Appendix 118A of currently approved M&RP). The Utah Supreme Court has clearly adopted the principle that wherever there exists separate ownerships of interest in the same land, "each (party) should have the right to the use and enjoyment of his interest in the property to the highest degree possible not inconsistent with the rights of the other." *Flying Diamond* at 511. The dominant right of the mineral estate is qualified: the mineral owner of lessee must exercise his or her rights only as "reasonably necessary" and consistent with allowing the fee owner "the greatest possible use of his property." *Smith vs. Linmar*

Energy Corp., 790 P. 2d 1222, 1224 (Utah App. 1990) (copy attached to 8/8/02 letter to DOGM, Appendix 118A of currently approved M&RP).

Under the current permit application, CFC Skyline Mine proposes to conduct underground mining below the fee surface without material damage to the surface resulting from either direct surface access or subsidence. Consequently, CFC Skyline is exercising its rights to mine the Energy Fuels and C&B Coal leases with respect to the fee surface consistent with Utah law in a "reasonably necessary" manner while allowing the fee surface owner "the greatest possible use of his property".

If you have any questions regarding this matter, please call me at (435) 448-2636

Sincerely,



Gregg A. Galecki
Environmental Engineer, Skyline Mine
Canyon Fuel Company, LLC

**Incidental Boundary Change
North Lease
2007**

INTRODUCTION

The following is intended to serve as a guidance document addressing the regulatory requirements of an Incidental Boundary Change (IBC) in the North Lease portion of the Skyline Mine permit. Due to a change in the longwall panel configuration and some additional room-and-pillar mining, Skyline Mine is applying to modify the current Mine and Reclamation Plan (M&RP) to include approximately 680 acres not currently in the permit area. The 680 acres lie immediately east of the existing permit area. Under the proposed Mine Plans sequence mining activities will cross the existing permit boundary in January 2008, and Skyline Mine is requesting the Incidental Boundary Change (IBC). The modification is categorized as an IBC because the area of expansion is less than 15% of the area currently permitted, does not engage in operations outside the cumulative impact area as defined in the Cumulative Hydrologic Impact Area (CHIA), and does not engage in operations in hydrologic basins other than those authorized in the currently approved permit. Supporting information includes appropriate text changes and twenty two (22) maps that were modified to illustrate the new permit boundary, including recent modifications to the Waste Rock Disposal site. Expansion into the IBC includes only development mining, no surface disturbance or subsidence associated with longwall mining is anticipated. Relevant information is located in either this document, or the currently approved M&RP.

R645-301-100 General Contents

- **110 through 113**; See General Chapter 1 of currently approved M&RP.

- **114**; Updated Right-of Entry information has been included in the application. The Private Lease section of Section 114 has been modified to include both an expanded C&B Coal lease, and an Energy Fuels Corporation lease. The legal descriptions are included. See Section 114, Chapter 1 of M&RP for updates to Right-of Entry Information.

Included as support for the Right-of-Entry information are copies of letters sent to the Surface Landowners (Allred / Lioudakis) and the local water conservancy district (Price River Water Improvement District), and to DOGM (Pam Grubaugh-Littig) notifying them of our intentions. See Appendix 118A of M&RP.

Also included in Appendix 118A are the *Underground Coal Lease* with C&B Energy, LLC, a *Consent Ratification and Amendment of Lease and Agreement* with Carbon County

-**115**; N/A. No Unsuitability claims exist in areas associated with the existing IBC.

- **116**; The *Area of Surface Disturbance* section of Section 116 has been modified to include the expansion of the Waste Rock site, and the *Legal Description of Permit Area* has been modified to include the lands included in the IBC. See Section 116, Chapter 1 of the M&RP.

-**117**; N/A. No modifications to insurance or a proof of publication are necessary with the proposed modification. There is no additional surface disturbance affecting insurance and publication is not necessary with an IBC.

-140; The primary modification to the M&RP associated with the proposed IBC is changing the permit boundary on all pertinent maps. A total of 22 maps are included in the application with the only modification, in most cases is to change the permit boundary to include the Incidental Boundary Change (IBC).

R645-301-200 Soils

-211; N/A. Map 2.7.1-1b has been modified by adding the IBC to the permit boundary. No surface disturbance activities are included in the proposed IBC so no other modifications to the Soils Section of the M&RP have been made.

R645-301-300 Biology

No permit modifications are necessary for the current amendment concerning vegetation and wildlife. No surface disturbance is anticipated with the development mining associated with the IBC. See Sections 2.7 through 2.10 of currently approved M&RP. Only the permit boundary has been modified on maps 2.7.1-1a (Vegetation) and 2.8.1-1 (macroinvertebrate) to include the IBC.

R645-301-400 Land Use and Air Quality

No permit modifications are necessary for the current amendment concerning Land Use and Air Quality. No surface disturbance or subsidence is anticipated with the development mining associated with the IBC. Only the permit boundary has been modified on map 2.12.1-1 (Land Use) to include the IBC.

R645-301-500 Engineering

-512.100; All pertinent maps will be prepared by, or under the direction of, and certified by a qualified, registered, professional engineer or a professional geologist.

-520; Operation Plan

-521.111; Map 2.2.7-7 (Abandoned Adjacent Workings) has been modified to include the IBC as part of the new permit boundary. No other modifications are necessary to the M&RP.

-521.111; Map 3.1.8-2 (Mine 3 Levels 2 & 3 Mine Plan) has been modified to illustrate both the revised mine plan and the new permit boundary to include the IBC.

-521.111; Map 3.3-2 (Lower O'Conner "A" / Flat Canyon 5 yr. Mine Plan) has been modified to illustrate both the currently projected Mine Plan and the new permit boundary to include the IBC.

-521.132; Maps 1.6-1 (Landownership), 1.6-2 (Coal Ownership), and 1.6-3 (Permit Area) illustrate the modified permit boundary to include the IBC and identify the area upon which Skyline Mine has the legal right to enter and begin coal mining and reclamation operations

-521.132; see Section 114, Chapter 1 of the currently approved M&RP for lease agreements containing legal description and right of entry information.

-523; the sole mining method to be used in the IBC expansion area of the North lease will be development or room-and-pillar mining.

-525 Subsidence Control Plan

- 525.100; Map 4.17.3-1A (North Lease Presubsidence Survey) illustrates the topography prior to mining. The permit boundary has been modified to include the IBC. No subsidence is anticipated in the North Lease IBC expansion based on development mining being the only mining method to be used in the area.

525.

-534. Roads

No new roads or modifications to the road system are associated with the North Lease IBC expansion.

-540 Reclamation Plan

No modifications to the Reclamation plan are associated with the North Lease IBC expansion. There is no surface disturbance or subsidence anticipated with the development mining proposed in the IBC area.

R645-301-600 Geology

No permit modifications are necessary for the current amendment concerning geology. No surface disturbance or subsidence is anticipated with the development mining associated with the IBC. In addition to the permit boundary being modified, minor modification – learned through exploration and mine development have been included on maps 2.2.1-1 (General Geology), 2.2.7-1 (Lower O'Conner "A" / Flat Canyon isopach), 2.2.7-2 (Lower O'Conner "A" / Flat Canyon Overburden), 2.2.7-3 Lower O'Conner "B" Isopach), and 2.2.7-4 Lower O'Conner "B" Overburden. Only the permit boundary has been modified on subsidence maps 4.17.3-1A (North Lease Presubsidence Survey), and 4.17.5-1 (Subsidence Monitoring Points) to include the IBC.

R645-301-700 Hydrology

-722. Cross Sections and Maps

On maps 2.3.5.1-1 (Surface Water Rights), 2.3.5.2-1 (Groundwater Rights), 2.3.6-2 (North Lease Subsidence Hydrologic Monitoring) the only modification in the application is to modify the permit boundary to include the IBC.

-722.400; Map 2.3.4-2 (Potentiometric Surface) was updated to show water levels through November 2006. As anticipated, water levels of wells located in the southwest portion of the permit area reflect a higher potentiometric surface corresponding with the flooding of the southwest portions of the Mine.

-724. Baseline Information

The only modification to the Surface Water Rights and Groundwater Rights maps was to include the IBC in the permit boundary. Relevant water rights are currently documented.

- 728. Probably Hydrologic Consequences (PHC) Determination.

No modification to the PHC has been made. There is no surface disturbance or subsidence proposed in the current application.

-731.100. Hydrologic-Balance Protection

731.200. Water Monitoring

Based on a Spring and Seep survey conducted in 2006, a spring (WQ1-1) located in the Blackhawk Formation, stratigraphically above coal seam will be added to the Water Monitoring program to regulate any adverse conditions that may be affecting the hydrologic balance. The site was selected because it is located down-gradient (but stratigraphically above) of the proposed mining, is reasonably well-established, and has significant flow for springs in the area. As stated numerous times, no surface disturbance or subsidence is anticipated with the proposed modification.

When monitored in 2006, the spring flowed at approximately 6.5 gpm. It is located in the SW1/4, NE1/4, Section 1, Township 13 South, Range 6 East. For water monitoring purposes field parameters will be monitored on a quarterly basis. Water monitoring table 2.3.7-1 has been modified to reflect the added Water Monitoring location. Plate 2.3.6-1 has been modified to identify the new permit boundary, Spring WQ1-1, and also to reflect sites MC-1 through MC-6 are inactive – a permit action that was approved in 2006.

R645-301-800. Bonding and Insurance

-820.111; No increase in the bond is necessary because no surface disturbance is planned or anticipated in the Incidental Boundary Change. No disturbance is anticipated and no reclamation activities are planned.

114 Right-of-Entry Information

The Skyline Mines will be operated on the leasehold interests owned by Canyon Fuel Company, LLC. The lands on which mining is to occur are a part of the Manti-LaSal National Forest (see Drawings 1.6-1 and 1.6-3 of the unmodified permit). Post mining land use of National Forest lands are outlined in the approved Manti-La Sal Forest Land Use Management Plan. The waste rock disposal area is on private land as also shown on Drawing 1.6-1. The leasehold interests involve all or a part of the following coal leases, which have been subleased and/or assigned to Canyon Fuel Company, LLC (additional information provided on Table 114.1):

<u>Federal Lease</u>	<u>Issued to</u>	<u>Date of Issuance</u>
Utah - 020305	Emmett K. Olson	03/01/62
Utah - 044076	Armeda N. McKinnon	09/01/65
Utah - 0142235	Malcolm N. McKinnon	10/01/64
Utah - 0147570	Malcolm N. McKinnon	05/01/65
Utah - 073120	Independent Coal and Coke Company	02/01/64
Utah - 67939	Coastal States Energy Co.	09/01/96

<u>County Lease</u>	<u>Issued to</u>	<u>Date of Issuance</u>
Carbon County Coal Lease	Kanawha and Hocking Coal and Coke Company	5/1/74
Carbon County Coal Lease	Canyon Fuel Company, LLC	08/01/02
Carbon County Coal Lease	Canyon Fuel Company, LLC	05/15/02

<u>Private Lease</u>	<u>Issued to</u>	<u>Date of Issuance</u>
UP&L Tract	Canyon Fuel Company, LLC	2/1/99
C&B Coal	Canyon Fuel Company, LLC	7/30/02

The legal descriptions of the above listed coal leases are:

Federal Coal Lease Serial #Utah-020305

T. 13 S., R. 6 E., SL Meridian. Utah

Sec. 13:	SW-1/4 SW-1/4 (Lot 7);
Sec. 14:	SE-1/4 SE-1/4;
Sec. 23:	E-1/2 E-1/2;
Sec. 24:	W-1/2 NW-1/4, SE-1/4 NW-1/4, S-1/2;

Section 24: NE-1/4 NW-1/4;
containing 557.22 acres

Federal Coal Lease Serial # UTU - 67939

T.12 S., R.6E., SL Meridian, Utah

Section 26, S2SE, SESW
Section 34, Lots 1-4, S2NE, SENW, E2 SWNW, N2S2
Section 35, all

T.13S., R.6E., SL Meridian, Utah

Section 2, all
Section 3, all
Section 10, Lots 1-2, NE, E2NW;
Section 11, N2, N2S2

containing 3,291.0 Acres

Carbon County Coal Lease

Township 13 South. Range 6 East SLB&M

Section 12: SW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 24: Portion of W-1/2 NE-1/4
containing 105 Acres more or less

Pacificorp Coal Lease

Township 14 South, Range 6 East, SLB&M

Section 2: Lots 1, 2, 3, and 4; S1/2N1/2;S1/2 (All)
Section 3: Lots 1 and 2; S1/2NE1/4; E1/2SE1/4; E1/2W1/2SE1/4;
NW1/4NW1/4SE1/4
containing 925.16 acres more or less

C&B Coal

Township 13 South. Range 6 East SLB&M

Section 1: W1/2SE1/4;
Section 12: NW1/4SW1/4, SW1/4NW1/4, NE1/4NW1/4
containing ~~40~~ 200 acres more or less

- (2) On August 3, 1978, Energy Fuels Corporation conveyed its exclusive and perpetual easement to Coastal States Energy Company (and now Canyon Fuel Company, LLC) for the purpose of constructing and maintaining a temporary coal storage and loading facility. The easement had been initially granted by Leon J. Nicolaides, et al., to Kanawha and Hocking Coal and Coke Company, Energy Fuels Corporation's predecessor in title.
- (3) A Lease Agreement dated June 10, 1982 between Fotini Telonis, et al, and the Permittee grants the Permittee the right to use a 27.83 acre parcel located near Scofield, Utah, as a waste rock disposal site. The lease was amended both in August 2006 and March 2007 to increase the parcel to approximately 37.48 acres. See Appendix A in Section 3.2 for lease.
- (4) A Quitclaim Deed dated May 24, 1991, from Kanawha and Hocking Coal and Coke Company to Coastal States Energy Company (and now Canyon Fuel Company, LLC) which deed conveyed to Coastal 42.57 acres of surface lands located in the SI/2SE1/4 of Section 17, T.13S., R.7E., SLB&M.

Power Line Addition

A parcel of land in Section 25 and 36, Township 13 South, Range 6 East, Salt Lake Base & Meridian, Carbon and Emery Counties.

Commencing at the Section Corners of 25, 25, 35, and 36, Township 13 South, Range 6 East, Salt Lake Base & Meridian, thence East along the North boundary of Section 36 for a distance of 500 feet, more or less, thence S20° 00' 00" W for a distance of 1,000 feet, more or less, herein called the point of beginning of the tract; thence N84° 20' 19" E a distance of 44.21 feet; thence N89° 08' 31" E a distance of 313.62 feet; thence S78° 31' 42" E a distance of 394.22 feet; thence S67° 59' 19" a distance of 162.86 feet; thence S67° 11' 48" E a distance of 184.95 feet; thence S66° 35' 22" E a distance of 7.51 feet; thence S68° 17' 21" E a distance of 16.44 feet; thence N14° 02' 53" E a distance of 13.25 feet; thence N 17° 36' 35" W a distance of 64.21 feet; thence N19° 35' 52" W a distance of 101.75 feet; thence N04° 54' 23" W a distance 110.10 feet; N15° 34' 28" E a distance of 118.18 feet; thence N43° 46' 10" E a distance of 1,079.17 feet; thence N51° 35' 31" E a distance of 860.51 feet; thence N21° 49' 54" W a distance of 0.62 feet; S51° 35' 33" W a distance of 860.56 feet; thence S43° 45' 55" W a distance of 1,079.56 feet; thence S15° 34' 30" W a distance of 118.17 feet; S04° 54' 20" E a distance of 110.32 feet; thence S19° 32' 19" E a distance of 102.69 feet; thence S17° 39' 42" E a distance of 63.38 feet; thence S15° 04' 51" W a

Vertical Extent
of Mine Workings
Workings (Life of Mine)

Surface to
1,500' max

Surface to
2,300' max

Surface to
1,500' max

The anticipated number of total surface land acres to be affected (life of mines) is less than the combined total of the affected acreages for each of the three mines due to the overlapping of mining operations which is inherent to this multi-seam mining operation. The total surface acreage to be disturbed by surface facilities associated with underground mining is 79.12 acres.

The following information was based on projection for the next five years (1997-2002).

	<u>Mine No. 1</u>	<u>Mine No. 2</u>	<u>Mine No. 3</u>
Extent of Horizontal Workings	240 acres	375 acres	1,870 acres
Extent of Vertical Workings	Surface to 1,250'	Surface to 2,250'	Surface to 2,125'

Area of Surface Disturbance

The construction/installation of surface facilities at the mine site, loading area, conveyor belt route, well houses, water tank pad, waste rock disposal site and South Fork Breakout results in the following disturbed acreages:

NEW DISTURBED AREAS PERMITTED AND TO BE RECLAIMED

<u>AREA</u>	<u>ACREAGE</u>
Loadout	13.86
Portal Yard	36.40
Water tanks and Well pads	0.26
Conveyor Bench	8.70
Waste Rock Disposal Site and Road	10.54 15.67
South Fork Breakout	0.96
James Canyon Buried Power Line	0.30
James Canyon Buried Pipeline	1.60
James Canyon Water Wells and Road	2.95

TOTAL ~~75.57~~ 80.70

Revised 11/02/06/07

Existing Disturbed Areas Permitted and Not to be Reclaimed

<u>AREA</u>	<u>ACREAGE</u>
Access Road to Waste Rock Disposal Pit	3.55
TOTAL PERMITTED ACREAGE	79.12 84.25

Legal Description of Permit Area

Township 12 South, Range 6 East, SLBM

Section 26: Portion
Section 34: Portion
Section 35: All
Section 36: Portion

Township 12 South, Range 7 East, SLBM

Section 32: Portion

Township 13 South, Range 6 East, SLBM

Section 1: Portion
Section 2: All
Section 3: All
Section 10: All
Section 11: All
Section 12: Portion
Section 13: Portion
Section 14: All
Section 15: All
Section 22: All
Section 23: All
Section 24: Portion
Section 25: Portion
Section 26: All
Section 27: All
Section 34: All
Section 35: Portion
Section 36: Portion

Township 13 South, Range 7 East, SLBM

Section 4: Portion
Section 5: Portion
Section 17: Portion
Section 18: Portion
Section 19: Portion

Township 14 South, Range 6 East, SLBM

Section 2: Portion
Section 3: Portion

Total acres within the PERMIT AREA: ~~40,374~~ 11,064

The acreage of ~~40,374~~ 11,064 acres is an AutoCad® generated number from drawing number 1.6-3.

Revised ~~11/02~~ 6/07

114 Right-of-Entry Information

The Skyline Mines will be operated on the leasehold interests owned by Canyon Fuel Company, LLC. The lands on which mining is to occur are a part of the Manti-LaSal National Forest (see Drawings 1.6-1 and 1.6-3 of the unmodified permit). Post mining land use of National Forest lands are outlined in the approved Manti-La Sal Forest Land Use Management Plan. The waste rock disposal area is on private land as also shown on Drawing 1.6-1. The leasehold interests involve all or a part of the following coal leases, which have been subleased and/or assigned to Canyon Fuel Company, LLC (additional information provided on Table 114.1):

<u>Federal Lease</u>	<u>Issued to</u>	<u>Date of Issuance</u>
Utah - 020305	Emmett K. Olson	03/01/62
Utah - 044076	Armeda N. McKinnon	09/01/65
Utah - 0142235	Malcolm N. McKinnon	10/01/64
Utah - 0147570	Malcolm N. McKinnon	05/01/65
Utah - 073120	Independent Coal and Coke Company	02/01/64
Utah - 67939	Coastal States Energy Co.	09/01/96

<u>County Lease</u>	<u>Issued to</u>	<u>Date of Issuance</u>
Carbon County Coal Lease	Kanawha and Hocking Coal and Coke Company	5/1/74
Carbon County Coal Lease	Canyon Fuel Company, LLC	08/01/02
Carbon County Coal Lease	Canyon Fuel Company, LLC	05/15/02

<u>Private Lease</u>	<u>Issued to</u>	<u>Date of Issuance</u>
UP&L Tract	Canyon Fuel Company, LLC	2/1/99
C&B Coal	Canyon Fuel Company, LLC	8/1/02

The legal descriptions of the above listed coal leases are:

Federal Coal Lease Serial #Utah-020305

T. 13 S., R. 6 E., SL Meridian. Utah

Sec. 13:	SW-1/4 SW-1/4 (Lot 7);
Sec. 14:	SE-1/4 SE-1/4;
Sec. 23:	E-1/2 E-1/2;
Sec. 24:	W-1/2 NW-1/4, SE-1/4 NW-1/4, S-1/2;

Section 24: NE-1/4 NW-1/4;
containing 557.22 acres

Federal Coal Lease Serial # UTU - 67939

T.12 S., R.6.E., SL Meridian, Utah

Section 26, S2SE, SESW
Section 34, Lots 1-4, S2NE, SENW, E2 SWNW, N2S2
Section 35, all

T.13S., R.6E., SL Meridian, Utah

Section 2, all
Section 3, all
Section 10, Lots 1-2, NE, E2NW;
Section 11, N2, N2S2
containing 3,291.0 Acres

Carbon County Coal Lease

Township 13 South. Range 6 East SLB&M

Section 12: SW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 24: Portion of W-1/2 NE-1/4
containing 105 Acres more or less

Pacificorp Coal Lease

Township 14 South, Range 6 East, SLB&M

Section 2: Lots 1, 2, 3, and 4; S1/2N1/2; S1/2 (All)
Section 3: Lots 1 and 2; S1/2NE1/4; E1/2SE1/4; E1/2W1/2SE1/4;
NW1/4NW1/4SE1/4
containing 925.16 acres more or less

C&B Coal

Township 13 South. Range 6 East SLB&M

Section 1: W1/2SE1/4;
Section 12: NW1/4SW1/4, SW1/4NW1/4, NE1/4NW1/4
containing 200 acres more or less

- (2) On August 3, 1978, Energy Fuels Corporation conveyed its exclusive and perpetual easement to Coastal States Energy Company (and now Canyon Fuel Company, LLC) for the purpose of constructing and maintaining a temporary coal storage and loading facility. The easement had been initially granted by Leon J. Nicolaides, et al., to Kanawha and Hocking Coal and Coke Company, Energy Fuels Corporation's predecessor in title.
- (3) A Lease Agreement dated June 10, 1982 between Fotini Telonis, et al, and the Permittee grants the Permittee the right to use a 27.83 acre parcel located near Scofield, Utah, as a waste rock disposal site. The lease was amended both in August 2006 and March 2007 to increase the parcel to approximately 37.48 acres. See Appendix A in Section 3.2 for lease.
- (4) A Quitclaim Deed dated May 24, 1991, from Kanawha and Hocking Coal and Coke Company to Coastal States Energy Company (and now Canyon Fuel Company, LLC) which deed conveyed to Coastal 42.57 acres of surface lands located in the SE/2SE/4 of Section 17, T.13S., R.7E., SLB&M.

Power Line Addition

A parcel of land in Section 25 and 36, Township 13 South, Range 6 East, Salt Lake Base & Meridian, Carbon and Emery Counties.

Commencing at the Section Corners of 25, 25, 35, and 36, Township 13 South, Range 6 East, Salt Lake Base & Meridian, thence East along the North boundary of Section 36 for a distance of 500 feet, more or less, thence S20° 00' 00" W for a distance of 1,000 feet, more or less, herein called the point of beginning of the tract; thence N84° 20' 19" E a distance of 44.21 feet; thence N89° 08' 31" E a distance of 313.62 feet; thence S78° 31' 42" E a distance of 394.22 feet; thence S67° 59' 19" a distance of 162.86 feet; thence S67° 11' 48" E a distance of 184.95 feet; thence S66° 35' 22" E a distance of 7.51 feet; thence S68° 17' 21" E a distance of 16.44 feet; thence N14° 02' 53" E a distance of 13.25 feet; thence N 17° 36' 35" W a distance of 64.21 feet; thence N19° 35' 52" W a distance of 101.75 feet; thence N04° 54' 23" W a distance 110.10 feet; N15° 34' 28" E a distance of 118.18 feet; thence N43° 46' 10" E a distance of 1,079.17 feet; thence N51° 35' 31" E a distance of 860.51 feet; thence N21° 49' 54" W a distance of 0.62 feet; S51° 35' 33" W a distance of 860.56 feet; thence S43° 45' 55" W a distance of 1,079.56 feet; thence S15° 34' 30" W a distance of 118.17 feet; S04° 54' 20" E a distance of 110.32 feet; thence S19° 32' 19" E a distance of 102.69 feet; thence S17° 39' 42" E a distance of 63.38 feet; thence S15° 04' 51" W a

Vertical Extent
of Mine Workings
Workings (Life of Mine)

Surface to
1,500' max

Surface to
2,300' max

Surface to
1,500' max

The anticipated number of total surface land acres to be affected (life of mines) is less than the combined total of the affected acreages for each of the three mines due to the overlapping of mining operations which is inherent to this multi-seam mining operation. The total surface acreage to be disturbed by surface facilities associated with underground mining is 79.12 acres.

The following information was based on projection for the next five years (1997-2002).

	<u>Mine No. 1</u>	<u>Mine No. 2</u>	<u>Mine No. 3</u>
Extent of Horizontal Workings	240 acres	375 acres	1,870 acres
Extent of Vertical Workings	Surface to 1,250'	Surface to 2,250'	Surface to 2,125'

Area of Surface Disturbance

The construction/installation of surface facilities at the mine site, loading area, conveyor belt route, well houses, water tank pad, waste rock disposal site and South Fork Breakout results in the following disturbed acreages:

NEW DISTURBED AREAS PERMITTED AND TO BE RECLAIMED

<u>AREA</u>	<u>ACREAGE</u>
Loadout	13.86
Portal Yard	36.40
Water tanks and Well pads	0.26
Conveyor Bench	8.70
Waste Rock Disposal Site and Road	15.67
South Fork Breakout	0.96
James Canyon Buried Power Line	0.30
James Canyon Buried Pipeline	1.60
James Canyon Water Wells and Road	2.95

TOTAL 80.70

Existing Disturbed Areas Permitted and Not to be Reclaimed

<u>AREA</u>	<u>ACREAGE</u>
Access Road to Waste Rock Disposal Pit	3.55
TOTAL PERMITTED ACREAGE	84.25

Legal Description of Permit Area

Township 12 South, Range 6 East, SLBM

Section 26: Portion
Section 34: Portion
Section 35: All
Section 36: Portion

Township 12 South, Range 7 East, SLBM

Section 32: Portion

Township 13 South, Range 6 East, SLBM

Section 1: Portion
Section 2: All
Section 3: All
Section 10: All
Section 11: All
Section 12: Portion
Section 13: Portion
Section 14: All
Section 15: All
Section 22: All
Section 23: All
Section 24: Portion
Section 25: Portion
Section 26: All
Section 27: All
Section 34: All
Section 35: Portion
Section 36: Portion

Township 13 South, Range 7 East, SLBM

Section 4: Portion
Section 5: Portion
Section 17: Portion
Section 18: Portion
Section 19: Portion

Township 14 South, Range 6 East, SLBM

Section 2: Portion
Section 3: Portion

Total acres within the PERMIT AREA: 11,064

The acreage of 11,064 acres is an AutoCad ® generated number from drawing number 1.6-3.



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

June 15, 2007

Price River Water Users Association
90 North 100 East
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in the S1/2SW1/4 Section 36, Township 12 South, Range 6 East, the N1/2NW1/4, W1/2NW1/4, and S1/2SW1/4 of Section 1, Township 13 South, Range 6 East, and the N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M.

Dear Sirs:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area by approximately 180 acres in portions of the S1/2SW1/4 Section 36, Township 12 South, Range 6 East, the W1/2SW1/4 of Section 1, and the N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the main or room-and-pillar mining. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

June 15, 2007

Mr. Phil Allred
P.O. Box 96
Fountain Green, Utah 84632

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in the S1/2SW1/4 of Section 36, Township 12S Range 6 East, SLB&M, and the W1/2NW1/4, the N1/2NW1/4 of Section 1, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Allred:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area in a portion of the S1/2SW1/4 of Section 36, Township 12 South, Range 6 East, SLB&M, and a portion of the W1/2NW1/4, the N1/2NW1/4 of Section 1, Township 13 South, Range 6 East, SLB&M. The total area will encompass approximately 42 acres of mine development. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of the mining in any of the areas identified in Section 1. Subsidence may occur in some of the area identified in Section 36; not as a part of the current activity, but possibly with future longwall mining. No surface disturbance will occur with the currently proposed development in Section 36. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cx: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC

Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

June 15, 2007

Mr. George Liodakis
c/o Liodakis Ranch, LLC
2655 East Chalet Circle
Sandy, Utah 84093

RE: Canyon Fuel Company, LLC, Skyline Mine, Mine Entry and Room Development in the W1/2SW1/4 of Section 1 and the N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Liodakis:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area by approximately 140 acres in portions of the W1/2SW1/4 of Section 1, and N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the main or room-and-pillar mining. No surface disturbance will occur with the currently proposed development. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Gregg Galecki, Environmental Eng.
HCR 35, Box 380
Helper, UT 84526
(435) 448-2626 - Office
(435) 448-2632 - Fax

June 15, 2007

Ms. Pamela Grubaugh-Littig
Utah Coal Program
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84144-5801

RE: Incidental Boundary Change (IBC) to include S1/2S1/2 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SW1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M

Dear Pam:

Canyon Fuel Company, LLC (CFC), Skyline Mine intends to develop main entries into the W1/2NW1/4 of Section 1, and conventionally-mine storage rooms in the SW1/4 of Section 1 and N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M in coal that the company has leased from Energy Fuels Corporation and C&B Coal. The current surface land owners are the Allred Family Trust administered by Phil Allred, and Koula Marakis Trust administered by George E. and Helen Liodakis and Liodakis Ranch, LLC. CFC has notified the two trust administrators this area of their property will be undermined as main entries and room-and-pillar areas are developed from the existing Skyline Mine works toward areas north of Winter Quarters Canyon. CFC Skyline Mine will first-mine only in the portions of the Energy Fuels and C&B Coal leases described and no subsidence will occur as a result of the mining.

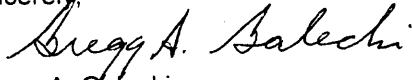
Utah Administrative Code **R645-301-114.200** relating to the general contents of a coal permit application provides that where the private mineral estate to be mined has been severed from the private surface estate, an applicant will submit one of the following: 1) a copy of the written consent of the surface owner, or 2) a copy of the conveyance that expressly grants or reserves the right to extract coal by certain coal mining and reclamation operations, or 3) documentation that the applicant has the legal authority under Utah law to extract the coal by the proposed operations. CFC Skyline Mine submits that it meets the requirements set forth under **114.210, 114.220, and 114.230**.

CFC Skyline Mine has been granted valid coal leases from Energy Fuels Corporation and C&B Coal, the owners of the coal estate, to conduct underground mining of coal in the W1/2 of Section 1 and the N1/2NW1/4 of Section 12, T13S, R6E, SLB&M, respectively. See, Amended Section 5 of *Consent, Ratification, and Amendment of Lease and Agreement*. Utah law recognizes the general rule that the rights of the owner (or rights of a lessee) of mineral rights in land are dominant over the rights of the owner of the fee to the extent reasonably necessary to extract the minerals from the affected lands. *Flying Diamond vs. Rust*, 551 P.2d 509 (Utah 1976) (copy attached to 8/8/02 letter to DOGM, Appendix 118A of currently approved M&RP). The Utah Supreme Court has clearly adopted the principle that wherever there exists separate ownerships of interest in the same land, "each (party) should have the right to the use and enjoyment of his interest in the property to the highest degree possible not inconsistent with the rights of the other." *Flying Diamond* at 511. The dominant right of the mineral estate is qualified: the mineral owner of lessee must exercise his or her rights only as "reasonably necessary" and consistent with allowing the fee owner "the greatest possible use of his property." *Smith vs. Linmar Energy Corp.*, 790 P. 2d 1222, 1224 (Utah App. 1990) (copy attached to 8/8/02 letter to DOGM, Appendix 118A of currently approved M&RP).

Under the current permit application, CFC Skyline Mine proposes to conduct underground mining below the fee surface without material damage to the surface resulting from either direct surface access or subsidence. Consequently, CFC Skyline is exercising its rights to mine the Energy Fuels and C&B Coal leases with respect to the fee surface consistent with Utah law in a "reasonably necessary" manner while allowing the fee surface owner "the greatest possible use of his property".

If you have any questions regarding this matter, please call me at (435) 448-2636

Sincerely,

A handwritten signature in cursive script that reads "Gregg A. Galecki".

Gregg A. Galecki
Environmental Engineer, Skyline Mine
Canyon Fuel Company, LLC



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Gregg Galecki, Environmental Eng.
HCR 35, Box 380
Helper, UT 84526
(435) 448-2626 - Office
(435) 448-2632 - Fax

June 15, 2007

Ms. Pamela Grubaugh-Littig
Utah Coal Program
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84144-5801

RE: Incidental Boundary Change (IBC) to include S1/2S1/2 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SW1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M

Dear Pam:

Canyon Fuel Company, LLC (CFC), Skyline Mine intends to develop main entries into the W1/2NW1/4 of Section 1, and conventionally-mine storage rooms in the SW1/4 of Section 1 and N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M in coal that the company has leased from Energy Fuels Corporation and C&B Coal. The current surface land owners are the Allred Family Trust administered by Phil Allred, and Koula Marakis Trust administered by George E. and Helen Liodakis and Liodakis Ranch, LLC. CFC has notified the two trust administrators this area of their property will be undermined as main entries and room-and-pillar areas are developed from the existing Skyline Mine works toward areas north of Winter Quarters Canyon. In good-faith, Skyline Mine has confidential agreements in place with both of these family trusts that addresses undermining their property. CFC Skyline Mine will first-mine only in the portions of the Energy Fuels and C&B Coal leases described and no subsidence will occur as a result of the mining.

Utah Administrative Code **R645-301-114.200** relating to the general contents of a coal permit application provides that where the private mineral estate to be mined has been severed from the private surface estate, an applicant will submit one of the following: 1) a copy of the written consent of the surface owner, or 2) a copy of the conveyance that expressly grants or reserves the right to extract coal by certain coal mining and reclamation operations, or 3) documentation that the applicant has the legal authority under Utah law to extract the coal by the proposed operations. CFC Skyline Mine submits that it meets the requirements set forth under **114.210, 114.220, and 114.230**.

CFC Skyline Mine has been granted valid coal leases from Energy Fuels Corporation and C&B Coal, the owners of the coal estate, to conduct underground mining of coal in the W1/2 of Section 1 and the N1/2NW1/4 of Section 12, T13S, R6E, SLB&M, respectively. See, Amended Section 5 of *Consent, Ratification, and Amendment of Lease and Agreement*. Utah law recognizes the general rule that the rights of the owner (or rights of a lessee) of mineral rights in land are dominant over the rights of the owner of the fee to the extent reasonably necessary to extract the minerals from the affected lands. *Flying Diamond vs. Rust*, 551 P.2d 509 (Utah 1976) (copy attached to 8/8/02 letter to DOGM, Appendix 118A of currently approved M&RP). The Utah Supreme Court has clearly adopted the principle that wherever there exists separate ownerships of interest in the same land, "each (party) should have the right to the use and enjoyment of his interest in the property to the highest degree possible not inconsistent with the rights of the other." *Flying Diamond* at 511. The dominant right of the mineral estate is qualified: the mineral owner or lessee must exercise his or her rights only as "reasonably necessary" and consistent with allowing the fee owner "the greatest possible use of his property." *Smith vs. Linmar*

Energy Corp., 790 P. 2d 1222, 1224 (Utah App. 1990) (copy attached to 8/8/02 letter to DOGM, Appendix 118A of currently approved M&RP).

Under the current permit application, CFC Skyline Mine proposes to conduct underground mining below the fee surface without material damage to the surface resulting from either direct surface access or subsidence. Consequently, CFC Skyline is exercising its rights to mine the Energy Fuels and C&B Coal leases with respect to the fee surface consistent with Utah law in a "reasonably necessary" manner while allowing the fee surface owner "the greatest possible use of his property".

If you have any questions regarding this matter, please call me at (435) 448-2636

Sincerely,



Gregg A. Galecki
Environmental Engineer, Skyline Mine
Canyon Fuel Company, LLC

E 093120 B 507 P 684
Date 8-AUG-2002 11:21am
Fee: 30.00 Check
SHARON MURDOCK, Recorder
Filed By KR
For WILLIAM PRINCE
CARBON COUNTY CORPORATION

SK-047

UNDERGROUND COAL LEASE

ORIGINAL

THIS UNDERGROUND COAL LEASE ("Lease"), made effective as of August 1, 2002 ("Effective Date"), is by and between **C&B Energy, LLC**, a Utah limited liability company ("Lessor"), whose address is 1431 North 1200 West, Orem, Utah 84057 and **Canyon Fuel Company, LLC**, with offices at 6955 South Union Park Center, Suite 550, Midvale, UT 84047 ("Lessee").

WITNESS that in consideration of the sum of Two Thousand Dollars (\$2,000.00) in hand paid by Lessee as Rental for the first year of this Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Lessor, and in further consideration of the Production Royalty, covenants and agreements herein set forth, the parties agree as follows:

1. Grant of Lease.

a. Lessor does hereby grant, demise, lease and let exclusively unto the Lessee, and the Lessee leases and takes from the Lessor, for the purposes herein specified, all "Coal" (as hereinafter defined) situated in, on or under the following described real property situated in Carbon County, State of Utah, including all present interest of Lessor in the coal estate and any after-acquired, reversionary, contingent or future interest of Lessor ("Leased Premises"):

Township 13 South, Range 6 East, SLB&M

Section 1: W/2SE/4;

Section 12: NW/4SW/4, SW/4NW/4, NE/4NW/4.

(Containing 200 acres, more or less.)

For the purposes of determining the amount of Rental payments hereunder, the Leased Premises shall be treated as comprising 200 acres, whether there be more or less.

b. For the purposes of this lease, the term "Coal" is used in its commonly accepted meaning and shall include any seam, vein, bed, strata or deposit, from the lowest grade of lignite through the highest grade of anthracite, both inclusive, and all constituent products thereof mixed with or encountered when mining Coal in whatever physical state or form produced, and all impurities and other minerals of every nature and type of substance associated or commingled therewith. Lessee shall have the right to vent any methane or coalbed methane and other naturally-occurring gases contained within the seam ("Coal Seam Gas") encountered in Lessee's mining operations as a safety measure without liability or accountability of any nature whatsoever to Lessor, but Lessee shall not have the right to commercially produce or market any Coal Seam Gas. The rights hereby granted to Lessee shall not include mining or extraction rights with respect to oil, gas or other minerals other than Coal as defined herein, which rights are reserved exclusively unto the Lessor.

Scanned

2. Rights of Lessee.

a. The coal estate in the Leased Premises is hereby leased unto Lessee subject to the terms and conditions herein set forth for the purpose of prospecting, exploring, developing, testing, mining and operating for and producing by underground mining methods, whether now or hereafter existing or known, all Coal lying and situated in or under the Leased Premises, with the right to store, save, commingle, remove, transport, own and market, treat, process or otherwise utilize the Coal, together with all of the mining rights and privileges appurtenant to the Coal and incident to the ownership thereof.

b. By way of enlargement, and not by way of restriction, the following rights and privileges are also hereby granted to the extent Lessor has the right so to do:

1. Subject to the limitations regarding "Surface Ownership" as described in Section 8, the exclusive right and privilege to prospect upon and under the surface overlying the portion of the Leased Premises authorized for mining for Coal; to explore, survey, conduct soil and water sampling and other environmental studies; and to mine, drill, bore, core and test and analyze by any other reasonable means;

2. The exclusive right and privilege to enter upon and under, and the free and uninterrupted right-of-way into, upon, over, across and through, the Leased Premises, at such points and in such manner as may be necessary or convenient for the purpose of mining, removing, processing and marketing all of the Coal hereby leased;

3. The right-of-way, right of entry, access, ingress and egress and right to transport over, under, across and through the Leased Premises any coal now or hereafter owned, leased or otherwise acquired by Lessee and located on lands adjacent to the Leased Premises;

4. Subject to the limitations contained in this Lease, the right to use so much of the surface as may be necessary or convenient in conjunction with Lessee's operations hereunder;

5. The right to include the Leased Premises or any portion thereof in any plan of unitization for coal or a Federal logical mining unit pursuant to any such unitization, and so that operations or mining in any portion of the Leased Premises shall be deemed operations or mining on the logical mining unit for Federal diligent development and continued operations requirements, and where at Lessee's option, to commingle Coal with coal from lands other than the Lease Premises; and

6. The right to subside, collapse, sink, lower, and alter the surface, subsurface, and superadjacent strata of the portion of the Leased Premises authorized for mining as a result of Lessee's permitted operations hereunder.

3. Term.

Subject to the other provisions herein, this Lease shall remain in effect for a primary term of ten (10) years from the Effective Date, and so long thereafter as Coal is produced from the Leased Premises.

4. Rental.

a. Within one (1) year from the Effective Date, and on or before each anniversary date thereafter during the primary term and any continuation of the term, this Lease shall be kept in full force and effect for the next ensuing year by the Lessee's payment to Lessor of a rental in the amount of \$3.00 per acre ("Rental").

b. Subject to the right of Lessee to terminate this Lease in whole or in part, Rental payments as set forth above shall be made annually whether in the primary term or the continuing term of this Lease, regardless of whether or not there is production of Coal from the Leased Premises. Temporary suspension of actual mining and production of Coal by Lessee during the primary term shall be without prejudice to its right to resume operations as long as Rental payments are made as herein provided.

c. Rental payments made pursuant to this Lease shall not be recouped, credited or set off against Production Royalty payable under this Lease.

5. Production Royalty.

a. Lessee shall pay to Lessor as a production royalty for all Coal mined, removed and sold from the Leased Premises the sum of eight percent (8%) of "Gross Proceeds" ("Production Royalty"). "Gross Proceeds" shall have the same meaning as the term gross proceeds is defined in 30 C.F.R., Part 206, Subpart F, with respect to Federal coal leases. The calculation of the value of the Production Royalty shall be determined under the provisions of such subpart applicable to Federal ad valorem coal leases, including amendments thereto and administrative and judicial interpretation thereof which shall include, without limitation, any deductions, adjustment or allowances now existing or hereafter permitted in calculating royalty due under Federal coal leases.

b. Production Royalty due and payable for Coal actually mined, removed and sold from the Leased Premises during any calendar month shall be paid on or before the last day of the next succeeding calendar month. In the event Lessee fails to pay any rent or royalty when due, the late payment shall be subject to the payment of interest from the due date to the date of payment at the rate of one and one-half percent (1-1/2%) per month simple interest. Any amount unpaid for more than thirty (30) days after its due date shall be deemed a breach of this Lease and Lessor shall be free to declare a breach pursuant to Section 9.

6. Records and Accounts.

a. Lessee shall keep a true and correct record of all Coal mined, removed and sold from the Leased Premises. Lessee shall maintain accurate and complete accounting records in support of all Production Royalty paid with respect to Coal production from the Leased

Premises in accordance with the standard for Federal royalty as set out in 30 C.F.R., Part 206, Subpart F and generally recognized accounting principles and practices.

b. On or before the last day of each calendar month following the month during which Lessee shall commence actual mining operations on the Leased Premises and for the remaining term of this Lease, Lessee shall furnish Lessor a true and correct statement showing the tons of Coal actually mined, removed, and sold during the preceding calendar month from the Leased Premises.

c. Lessor shall have the right after a ten-day prior written notice to Lessee to examine, audit and reproduce the records, vouchers and their source documents which serve as the basis for Production Royalty payments. Audit findings may be contested by either party. In the event of a dispute over audit findings by one of the parties, the parties shall jointly appoint an independent accounting firm to conduct a joint audit. The parties shall jointly share the costs and expenses incurred to conduct an independent audit. The conclusions of the independent accounting firm shall be binding on the parties.

7. Indemnification.

a. Lessee shall indemnify, defend and hold harmless Lessor from and against all suits, actions, claims, causes of action, losses, costs and demands (including without limitation reasonable attorney's fees) in any manner arising from or relating to operations and activities conducted by or for the benefit of Lessee on the Leased Premises and the use and occupancy of the Leased Premises pursuant to this Lease.

b. Lessor shall indemnify, defend and hold harmless Lessee from and against all suits, actions, claims, causes of action, losses, costs and demands (including without limitation reasonable attorney's fees) in any manner arising from, incident to or growing out of Lessor's use or occupancy of the Leased Premises.

c. Notwithstanding anything in this Lease to the contrary, the indemnity obligations undertaken herein shall survive the expiration, termination, or cancellation of this Lease.

8. Surface Ownership.

a. Lessor does not claim ownership of the surface estate with respect to the Leased Premises. Lessee shall be responsible to determine the ownership of the surface and obtain any and all such additional lease(s) or lease rights as may be necessary to conduct Lessee's operations on the Leased Premises.

b. Lessee shall mitigate any impacts to the surface caused by Lessee's activities on the surface of the Leased Premises consistent with applicable law, Lessee's approved mining permit and Lessee's surface use agreements. Lessor acknowledges that the payment of the consideration provided for herein is intended to fully compensate Lessor for any and all damages and liability of Lessee to Lessor under § 2504(a)(1) of the Energy Policy Act of 1992 with respect to those portions of the Leased Premises as to which Lessor is the owner of the surface estate.

9. Termination and/or Surrender.

a. If Lessee fails to comply with the provisions of this Lease and if Lessee does not initiate and diligently pursue steps to correct the default within thirty (30) days after notice has been given to it by Lessor specifying with particularity the nature of the default, then upon the expiration of the thirty (30) day period, Lessor shall have the right to declare this Lease in default, provided, however, that the rights and obligations of Lessee under this Lease shall not terminate until such time as the declared default has been submitted to a court of law and a final, non-appealable order has been issued terminating this Lease based on the alleged default. The service of a default notice shall be a condition precedent to the bringing of any action by Lessor on this Lease for such default, and no such action shall be brought with respect to such default until the lapse of thirty (30) days after service of such notice. The doing of any acts by Lessee reasonably sufficient to cure all or any of the alleged breaches or defaults shall not be deemed an admission or presumption that Lessee has failed to perform any or all of its obligations hereunder.

b. Any default claims with respect to the payment of money may be cured by the deposit in escrow of the amount in controversy (not including claimed damages) and giving of notice of the deposit to Lessor, the amount to remain in escrow until the controversy is resolved by decision of a court or arbitrators or otherwise.

c. Upon termination of this Lease by court order, Lessee shall have a reasonable time in which to remove all of Lessee's machinery, equipment and other property from any part of the Leased Premises.

d. Lessee may at any time terminate this Lease (as to all or part of the Leased Premises) by delivering to Lessor or by filing for record in the appropriate office (with a copy to Lessor) a recordable Surrender of this Lease (or a Partial Surrender describing that portion of the Leased Premises as to which this Lease is surrendered). Upon mailing the Surrender (or Partial Surrender) to Lessor or to the appropriate office, all rights, liabilities, obligations of Lessee under this Lease (with respect to the portion of the Leased Premises as to which this Lease is terminated) shall terminate, except that (i) Lessee shall have the rights provided herein to remove property and (ii) Lessee shall have those liabilities for payment of Rentals and Production Royalty, reclamation, and indemnification otherwise existing on the date of termination, and then accrued.

10. Depository Bank, Change of Ownership.

a. All payments under this Lease may be paid or tendered to Lessor or to Lessor's credit in the C & B Energy LLC Bank at 1431 North 1200 West, Drm State of Utah 84057 which bank, and its successors, are hereby made agents of Lessor to receive all payments herein provided for, and shall continue as the depository regardless of changes in the ownership of the Leased Premises or of the right to receive said payments. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail to accept a payment, Lessee shall not be held in default for failure to

make or tender name until thirty (30) days after Lessee shall deliver to Lessee a proper instrument naming another bank or depository as agent to receive such payments or tenders.

b. All payments or tenders may be made by wire transfer or by delivering or mailing a check to the depository or to Lessor (at Lessor's last known address as shown by Lessee's records), as appropriate. Payments shall be deemed proper payment or tender as herein provided upon receipt by Lessor or the depository bank.

c. No change or division in ownership of the Leased Premises or Production Royalty, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the Leased Premises or Production Royalty shall be deemed notice to or binding upon Lessee for any purpose, despite actual or constructive notice by Lessee, until forty-five (45) days after the person acquiring any interest shall furnish Lessee at Lessee's address above, with the original instrument or instruments, or certified or true copies thereof, evidencing such change, transfer or division of ownership; provided that Lessee may at its election, recognize any such change or division prior to the expiration of said forty-five (45) day period of time and make payment to the new owners.

11. Lesser Interest.

If Lessor owns less interest in the Coal in the Leased Premises than the entire and undivided fee simple estate therein, then whether or not such interest is referred to or described herein, Production Royalty, Rentals and other payments herein provided for shall be paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee simple estate in the Coal in the Leased Premises.

12. Compliance with Law.

Lessee shall conduct all operations hereunder in a good and workmanlike manner and in full compliance with all applicable local, state and federal laws, rules, regulations and orders, including, but not limited to, those pertaining to mine safety, zoning, environmental protection and land reclamation.

13. Liability Insurance.

a. Without limiting any liabilities or any other obligations of the Lessee on and after the date of this Lease, Lessee shall have and maintain insurance with companies which are rated by Best Insurance Rating at A or above and with at least the following liability limits:

1. Commercial General Liability (occurrence form), covering bodily injury and property damage liability, including contractual, XCU, products and completed operations with minimum limits of \$5,000,000 per occurrence;
2. Comprehensive Automobile Liability covering owned, hired and non-owned vehicles with minimum limits of \$1,000,000 per occurrence;
3. Workers' Compensation or Industrial Accident insurance as required by law.

b. All insurance policies shall be the primary insurance for Lessee and shall name Lessor as an additional insured.

14. Taxes and Encumbrances.

The Lessee shall pay all validly assessed and levied property taxes on its improvements and property and shall pay all of the taxes, if any, validly assessed and levied against its right in the Coal covered by this Lease and its rights, if any, in the surface over the Leased Premises. Lessor shall pay all validly assessed and levied taxes on its interests in the Leased Premises. In the event a federal, state, county or municipal or other governmental agency levies a license, severance, sales, use, production or other tax on the Coal hereunder, or on Lessee's rights to operate or produce or sell such Coal, then and in that event the Lessee shall pay that portion of such tax attributable to its rights in the Coal and Lessor shall pay the portion thereof attributable to its rights in the coal. Lessee is hereby authorized to pay any mortgages, liens, taxes and assessments on behalf of the Lessor and be subrogated to the rights of the holders of such encumbrances and may, if it so desires, deduct any amounts so paid from Production Royalty or other payments due Lessor hereunder.

15. No Covenant to Develop or Produce.

Lessee shall be under no obligation, express or implied, to explore, develop, mine or rework the Leased Premises for Coal or any other mineral or substance which may be covered hereby, it being expressly agreed that the good faith judgment of the Lessee in carrying out the purpose of this Lease shall be conclusive.

16. Force Majeure.

When exploration, testing or mining or other operations hereunder are delayed or interrupted by lack of water, labor or material or by fire, storm, flood, war, rebellion, insurrection, riot, labor disputes or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, requisition or necessity of any governmental authority or due to some zoning, environmental protection or land reclamation requirement, or as a result of any cause whatsoever beyond the control and not a result of any negligence of the Lessee, the time and result of such delay or interruption shall not be counted against Lessee or cause a termination of this Lease; provided, however, the obligation to make Rental and Production Royalty payments shall not be suspended but instead shall be due and owing during such period and shall be paid as provided for above. Lessee shall provide Lessor with written notice within ten (10) days after both the occurrence and the cessation of any condition constituting such above described force majeure hereunder.

17. Assignment.

Lessor may assign or transfer all or any portion of its interest in Leased Premises provided such assignment or transfer shall be made expressly subject to all of the terms and conditions of this Lease. Lessor shall not assign any portion of its rights or delegate any portion of its duties or obligations under this Lease independent of its interest in the Leased Premises. Lessee's interest in and to this Lease may be assigned or transferred subject to the prior written consent of Lessor, which consent shall not be unreasonably withheld, provided that Lessee may

assign or transfer all of its interests in this Lease to an affiliate or may sublet any interest in this Lease without prior written consent.

18. Title.

Lessor warrants title to the Leased Properties and the Coal by, through and under Lessor, but not otherwise, and makes no further representation or warranties as to title to the Coal or the Leased Premises. Lessee may purchase or lease the rights of any party claiming any interest in the Leased Property and the Coal, and Lessee shall not suffer any forfeiture nor incur any liability to Lessor by reason thereof. Should Lessee wish to investigate Lessor's title following execution of this Lease, Lessor agrees to cooperate with Lessee as to title matters by making available to Lessee all abstracts, title insurance policies and other title documents in Lessor's possession.

19. Modification.

No amendment or modification to this Lease shall be effective unless and until the same is embodied in writing and signed by all parties hereto.

20. Recording.

The parties agree that they will execute a Memorandum of Underground Coal Lease in a form substantially similar to that attached as Exhibit A and that the executed Memorandum will be placed of record in the county containing the Leased Premises. This Lease will not be placed of record.

21. Notices.

Any notice required or permitted herein shall be sufficient if given in writing or delivered by hand or deposited in the United States mail, certified, postage prepaid and addressed to the appropriate addresses set forth in the introduction of this Lease, or to such other addresses as any party hereto may, from time to time, designate in writing.

22. Inspection.

Provided that Lessor first gives Lessee five (5) days prior written notice and subject to Lessee's safety and health rules and policies, Lessor or its duly authorized agents and representatives shall have the right at their own risk, cost and expense to enter into and upon the Leased Premises and workings thereon for the purpose of examining and inspecting the same, and ascertaining whether the terms and conditions of this Lease are being carried out and performed by Lessee

23. Interference with Operations.

The parties recognize that this Lease does not cover oil and gas rights, except for the right to vent Coal Seam Gas, and other mineral rights not covered by this Lease underlying the Leased Premises and that Lessor retains the right to grant leases or other conveyances as to such rights. The parties acknowledge that Lessor may conduct oil and gas development activities on the

Leased Lands. Prior to approval of a permit for a surface location for an oil or gas well on or affecting the Leased Lands, but in no event less than sixty (60) day prior to conducting actual drilling operations on the Leased Lands, Lessor shall notify Lessee in writing of the proposed well location and related surface use activities and the parties shall use their commercially reasonable efforts to coordinate the well location to ensure the safety and operational integrity of Lessee's coal operations and to facilitate Lessor Party's proposed drilling activities.

24. Applicable Law.

This Lease and all of its terms and provisions shall be governed by and interpreted according to the laws of the State of Utah, including its equitable doctrines, without regard to its choice of law doctrines.

25. Binding Effect.

This Lease and all of its terms and conditions shall be deemed covenants running with the Leased Premises and shall be binding upon all who execute it, whether or not named in the body thereof, and without regard to whether this same instrument, or any copy or counterpart hereof, is executed by an of the other persons or parties named above, and shall be binding upon their heirs, devisees, administrators, executors, successors in interest and assigns, as appropriate.

IN WITNESS WHEREOF, the parties have executed this Lease effective as of the day and year first above written.

LESSOR:

C&B Energy, LLC

By: 

Title: General Manager

LESSEE:

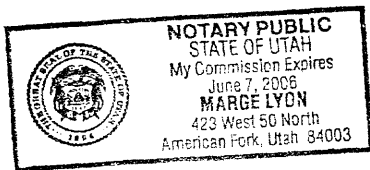
Canyon Fuel Company, LLC

By: 

Title: PRESIDENT

STATE OF UTAH)
)ss.
COUNTY OF Utah)

On the 30 day of July, 2002, personally appeared before me
Glena F. Cook, the General Manager
of C&B Energy, LLC, who signed the foregoing instrument on behalf of C&B Energy, LLC and
acknowledged to me that he executed the same.



Marge Lyon
Notary Public
Residing at: American Fork, Utah

STATE OF UTAH)
)ss.
COUNTY OF SALT LAKE)

On the 6th day of August, 2002, personally appeared before
me Richard D. Pick, the President of
Canyon Fuel Company, LLC, who signed the foregoing instrument on behalf of Canyon Fuel
Company, LLC and acknowledged to me that he executed the same.

Melissa Wood
Notary Public
Residing at: _____

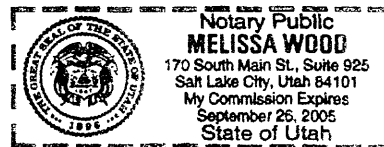


EXHIBIT A

MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF UNDERGROUND COAL LEASE made and entered into effective as of August 1, 2002 ("Effective Date"), is by and between **C&B Energy, LLC**, a Utah limited liability company, having an address of 1431 North 1200 West, Orem, Utah 84057 ("Lessor"), and **Canyon Fuel Company, LLC**, having an address of 6955 South Union park Center, Suite 550, Midvale, Utah 84047 ("Lessee").

Witnesseth:

The parties hereto agree:

1. Upon the terms and conditions set forth in the certain Underground Coal Lease ("Lease"), dated as of the Effective Date, all of which are hereby incorporated herein as if set forth in full, Lessor does hereby grant and lease unto Lessee for the purposes described in paragraph 2 of this Memorandum of Underground Coal Lease and in the Lease those certain lands situated in Carbon County, State of Utah, more particularly described as follows ("Leased Premises"):

Township 13 South, Range 6 East, SLB&M

Section 1: W/2SE/4;

Section 12: NW/4SW/4, SW/4NW/4, NE/4NW/4.

(Containing 200 acres, more or less.)

2. The Leased Premises are hereby leased unto Lessee subject to the terms and conditions of the Lease for the purposes of prospecting, exploring, developing, testing, mining and operating for and producing by underground mining methods, whether now or hereafter existing or known, all Coal lying and situated in, on or under the Leased Premises, with the right to store, save, remove, transport, own and market, treat, process or otherwise utilize said Coal, together with all of the mining rights and privileges appurtenant to the said Coal and incident to the ownership thereof.

3. The term of the Lease is for a period of ten (10) years which commenced on the Effective Date, and so long thereafter as Coal is produced from the Leased Premises.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Underground Coal Lease and the Underground Coal Lease to be signed by their proper officers thereunto duly authorized effective as of the Effective Date.

C&B Energy LLC

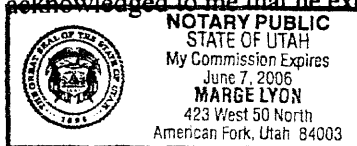
By: [Signature]
Its: General Manager

Canyon Fuel Company, LLC

By: [Signature]
Its: PRESIDENT

STATE OF UTAH)
)ss.
COUNTY OF Utah)

On the 30 day of July, 2002, personally appeared before me Glenn F. Cook, the General Manager of C&B Energy, LLC, who signed the foregoing instrument on behalf of C&B Energy, LLC and acknowledged to me that he executed the same.



Marge Lyon
Notary Public
Residing at: American Fork, Utah

STATE OF UTAH)
)ss.
COUNTY OF SALT LAKE)

On the 10th day of August, 2002, personally appeared before me Richard D. Pick, the President of Canyon Fuel Company, LLC, who signed the foregoing instrument on behalf of Canyon Fuel Company, LLC and acknowledged to me that he executed the same.

Melissa Wood
Notary Public
Residing at: _____

CONSENT, RATIFICATION AND AMENDMENT OF LEASE AND AGREEMENT

This CONSENT, RATIFICATION AND AMENDMENT OF LEASE AND AGREEMENT ("Agreement"), dated as of the Effective Date (defined below), is by and between **Carbon County**, a body corporate and politic of the State of Utah ("County") and **Canyon Fuel Company, L.L.C.**, a Delaware limited liability company ("CFC").

Recitals

A. The County has heretofore entered into a Lease and Agreement dated October 5, 1977, with Murco Coal Company, as amended from time to time ("Coal Lease") whereby the County granted to Murco, as lessee, the exclusive right to mine and dispose of all coal in, to and under lands located in Carbon County, Utah, and more particularly described on **Exhibit A** hereto ("Lease Lands"). The Coal Lease was filed for recording on November 10, 1977, recorded in Book 173 at page 659 of the records of the Carbon County Recorder. A copy of the Coal Lease is attached as **Exhibit B**.

B. By Assignment of Coal Lease dated the Effective Date (defined below), EF Coal Resources Limited Partnership ("Energy Fuels"), successor in title under the Coal Lease, assigns, transfers and sells to CFC all of Energy Fuels' right, title and interest in and to the Coal Lease subject to the consent of the County ("Energy Fuels Assignment").

C. The County desires to consent to the Energy Fuels Assignment, ratify the Coal Lease, and amend the Coal Lease as set forth in this Amendment.

D. CFC desires to obtain the County's consent and ratification, and to assume the Coal Lease as amended by this Amendment.

Agreement

NOW, THEREFORE, for and in consideration of Ten Dollars (\$10.00), the mutual covenants contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Consent. The County hereby consents to the transfer of the Coal Lease to CFC in accordance with the terms of the Energy Fuels Assignment.

2. Ratification. The County hereby ratifies and confirms the Coal Lease, as amended by this Amendment, and represents that, as of the Effective Date (defined below):

(a) The Coal Lease is valid and in full force and effect in accordance with its terms and covers the Lease Lands; there are no defects under the Coal Lease; and no event has occurred which, with the lapse of time or the giving of notice, or both, would constitute such a default.

(b) All rentals, royalties, advance rentals and royalties and assessments have been timely and properly paid, and no rentals, royalties or assessments are delinquent or due under the Coal Lease.

(c) The County has received advance rentals from lessees of the Coal Lease in the aggregate amount of \$625,000 ("Advance Payments"). CFC may credit the Advance Payments against Production Royalties as they accrue under the Coal Lease.

3. Amendment. The Coal Lease is hereby amended as follows:

(a) The lease agreement is retitled "Coal Lease."

(b) Sections 2, 3, 4, 5, and 6 are deleted in their entirety.

(c) The following paragraphs are adopted and shall be inserted into the Coal Lease to replace the deleted sections as numbered:

Section 2. This Coal Lease, as amended, shall remain in full force and effect for a period of twenty (20) years from the Effective Date of this amendment ("Amendment Date") and for so long thereafter as coal is produced from the Lease Lands. This Coal Lease shall be subject to readjustment of lease terms at the end of the 20th lease year from and after the Amendment Date and each 10-year period thereafter, provided, however, that all such readjustments shall not result in the adoption of terms and conditions more stringent than those applicable to federal coal leases issued for other lands located in the County. Lessee at its sole discretion may at any time terminate this Coal Lease or surrender all or part of the Lease Lands without any further obligation or liability to Lessor except for payments then due and payable or accrued at the time of termination or surrender.

Section 3. Lessee shall pay Lessor rental annually and in advance for each acre of fraction thereof during the continuance of the lease at the rate of \$3.00 for each lease year. Annual rentals shall not be credited against Production Royalties. Except for the payment of annual rentals Lessee shall not be required to pay minimum advanced royalties, conduct any mining operations, or meet any diligence development or continued operation requirements in order to maintain this Coal Lease in full force and effect.

Section 4. Lessee shall pay Lessor a production royalty at the rate of eight percent (8%) of the value of the coal produced from the Lease Lands ("Production Royalty"). The parties adopt by reference the regulations set forth at 30 C.F.R., Part 206, Subpart F ("Federal Royalty Regulations") for purposes of determining the Production Royalty, including without limitation, determining the

"value" of coal produced from the Lease Lands. Accrued Production Royalties shall be payable to Lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues. Lessee shall have a credit in the amount of \$625,000 for advance rental payments previously made to Lessor ("Advance Payments"). Advance Payments shall be credited against Production Royalties as such Production Royalties become due and payable to the County, and Lessee shall have no obligation to pay to Lessor Production Royalties until all Advance Payments have been set off against accrued Production Royalties.

Section 5. Lessee shall have the right to mine coal from the Lease Lands by underground, auger, borehole, drilling, and in-situ solution method, with the exclusive right to store, save, remove, transport, own, sell and market, treat, process, and stockpile, commingle or otherwise utilize the coal, together with all rights-of-ways, easements and servitudes on, to and over the Lease Lands as may be necessary, useful or convenient for such purposes, and the right of ingress and egress therefore; the right to construct, use, maintain, repair, replace and relocate any and all facilities and structures on and in the Lease Lands as may be necessary, useful or convenient in connection with such operations on the Lease Lands; and the right to use the Lease Lands for access to and transportation of coal from adjacent lands.

Section 6. Lessee shall have the sole and exclusive right to determine the amount of mining to be conducted on or in connection with the Lease Lands, and there shall be no obligation on Lessee, and no covenant is implied, to mine, remove or produce coal from the Lease Lands.

4. Nothing in this Agreement shall, nor shall it be interpreted to, amend, modify or waive any provision of the Coal Lease except as expressly provided for herein. The parties shall prepare and file for recording in the real property records of Carbon County, Utah, a short form notice of the Coal Lease, as amended

5. This Agreement, together with the consent and amendment effectuated hereby, shall be effective for all purposes as of the date of the Energy Fuels Assignment ("Effective Date").

6. This Agreement may be executed by the parties in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same instrument. This Agreement shall become operative when each party has executed at least one counterpart of this Agreement.

EXECUTED and DELIVERED this 15th day of May, 2002, to be effective for all purposes as of the Effective Date.

Carbon County, a body corporate and politic of the State of Utah.

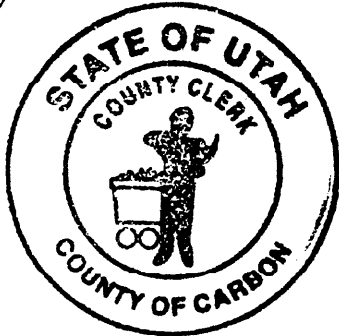
By: *Don Muller*
Commissioner

ATTEST:

Robert P. Pero
by *Alepis P. Horsley Deputy*
County Clerk

By: *Michael J. M.../M...*
Commissioner

By: *Will D. Krompel*
Commissioner



Canyon Fuel Company, L.L.C., a Delaware limited liability company

Richard D. Pick
By: *RICHARD D. PICK*
Its: PRESIDENT

Exhibit A
to
Consent, Ratification and Amendment of Lease and Agreement

LEASE LANDS

Township 12 South, Range 6 East, SLB&M

Section 24: E1/2SE1/4

Section 25: E1/2E1/2

Section 36: N1/2N1/2; S1/2S1/2

Township 12 South, Range 7 East, SLB&M

Section 30: SW1/4

Section 31: NW1/4NW1/4; SE1/4SW1/4

Township 13 South, Range 6 East, SLB&M

Section 1: W1/2

Section 12: NW1/4NW1/4; SW1/4SW1/4

Total Acreage Twelve Hundred (1200) Acres More or Less.

Exhibit B
to
Consent, Ratification and Amendment of Lease and Agreement
Coal Lease

Abstracted ☒
Rec. Fee 12.00

FOR
John Kirkham
Nov 15 10 57 AM '77

BOOK 173 OF Records
PAGE 659-664
ANN O'BRIEN
COUNTY RECORDER

LEASE AND AGREEMENT

THIS LEASE AND AGREEMENT MADE AND ENTERED INTO
THIS 5th DAY OF OCTOBER, 1977 BY AND BETWEEN CARBON
COUNTY, A BODY CORPORATE AND POLITIC OF THE STATE OF UTAH,
HEREINAFTER REFERRED TO AS "LESSOR", AND MURCO COAL COMPANY,
A CORPORATION WITH ITS PRINCIPAL OFFICE AT ELDORADO, ARKANSAS,
HEREINAFTER REFERRED TO AS "LESSEE",

WITNESSETH:

1. LESSOR HEREBY LEASES TO LESSEE THE EXCLUSIVE
RIGHT AND PRIVILEGE TO MINE AND DISPOSE OF ALL COAL IN THE
FOLLOWING DESCRIBED TRACTS OF LAND SITUATED IN CARBON COUNTY,
STATE OF UTAH:

TOWNSHIP 12 SOUTH, RANGE 6 EAST, SLBM

- SECTION 24: E $\frac{1}{2}$ SE $\frac{1}{2}$
- SECTION 25: E $\frac{1}{2}$ E $\frac{1}{2}$
- SECTION 36: N $\frac{1}{2}$ N $\frac{1}{2}$; S $\frac{1}{2}$ S $\frac{1}{2}$

PROOF READ

TOWNSHIP 12 SOUTH, RANGE 7 EAST, SLB&M

- SECTION 30: SW $\frac{1}{4}$
- SECTION 31: NW $\frac{1}{4}$ NW $\frac{1}{4}$; SE $\frac{1}{4}$ SW $\frac{1}{4}$

TOWNSHIP 13 SOUTH, RANGE 6 EAST, SLB&M

- SECTION 1: W $\frac{1}{2}$
- SECTION 12: NW $\frac{1}{4}$ NW $\frac{1}{4}$; SW $\frac{1}{4}$ SW $\frac{1}{4}$

TOTAL ACREAGE TWELVE HUNDRED (1200) ACRES MORE OR
LESS.

2. THIS LEASE AND AGREEMENT SHALL COMMENCE ON
NOVEMBER 17, 1977, AND SHALL EXTEND THEREAFTER FOR A PERIOD
OF NINE (9) YEARS.

3. COMMENCING ON NOVEMBER 17, 1977, LESSEE AGREES
TO PAY THE LESSOR ANNUALLY IN ADVANCE, AND THEREAFTER FOR A
PERIOD OF THREE (3) YEARS, THE SUM OF TWELVE HUNDRED AND
NO/100 DOLLARS (\$1200.00).

4. LESSEE AGREES THAT AT ITS OPTION IT WILL
COMMENCE A MINING OPERATION UPON THE LEASED PREMISES NOT
LATER THAN NOVEMBER 17, 1980, OR IN THE ALTERNATIVE THAT IT
WILL PAY TO LESSOR ANNUALLY IN ADVANCE THE SUM OF TWENTY
FIVE THOUSAND AND NO/100 DOLLARS (\$25,000.00) COMMENCING ON
NOVEMBER 17, 1980, AND FOR SIX (6) YEARS THEREAFTER.

5. ALL ADVANCE RENTAL CREDITED AGAINST THE FIRST ROYALTIES AS THEY ACCRUE UNDER THIS LEASE. LESSEE AGREES TO PAY LESSOR A ROYALTY OF FIFTEEN CENTS (15¢) ON EVERY TON OF 2,000 POUNDS OF CLEAN COAL MINED DURING THE TERM OF THE LEASE. ROYALTIES SHALL BE PAYABLE QUARTERLY WITHIN THIRTY (30) DAYS FROM THE EXPIRATION OF THE QUARTER IN WHICH THE COAL IS MINED. ALL PAYMENTS DUE HEREUNDER SHALL BE PAID AT THE TREASURER'S OFFICE OF LESSOR AT PRICE, UTAH.

6. LESSEE IS HEREBY GRANTED AND SHALL HAVE AN OPTION TO EXTEND THE TERM OF THIS LEASE FOR SUCCESSIVE FIVE-YEAR TERMS SO LONG AS IT IS NOT IN DEFAULT HEREUNDER. SAID OPTIONS SHALL BE EXERCISED BY LESSEE DELIVERING TO LESSOR AT LEAST THREE MONTHS PRIOR TO THE EXPIRATION OF THE NINE-YEAR PRIMARY TERM OR ANY FIVE-YEAR TERM, WRITTEN NOTICE OF ITS INTENTION TO SO EXTEND THE TERM OF THIS LEASE.

(A) BEFORE THE COMMENCEMENT OF ANY FIVE-YEAR RENEWAL TERM HEREUNDER THE AMOUNT OF ROYALTY PER TON DUE DURING SAID RENEWAL TERM MAY BE RENEGOTIATED BETWEEN THE PARTIES. IN NO EVENT, HOWEVER, SHALL THE RENEGOTIATED ROYALTY RATE EXCEED THE RATE CHARGED FOR UNDERGROUND MINING BY THE FEDERAL GOVERNMENT ON COAL LANDS IN THE VICINITY OF THE LANDS ABOVE DESCRIBED.

(B) IF LESSEE EXTENDS THIS LEASE INTO ANY OF THE FIVE-YEAR OPTION PERIODS, LESSEE AGREES THAT, AT ITS OPTION, IT WILL COMMENCE A MINING OPERATION UPON THE LEASED PREMISES NOT LATER THAN NOVEMBER 17, 1986, OR IN THE ALTERNATIVE THAT IT WILL PAY TO LESSOR ANNUALLY IN ADVANCE THE FOLLOWING AMOUNTS ON THE FOLLOWING DATES:

<u>DATE</u>	<u>AMOUNT</u>
NOVEMBER 17, 1986	\$ 50,000.00
NOVEMBER 17, 1987	\$ 75,000.00
NOVEMBER 17, 1988	\$100,000.00
NOVEMBER 17, 1989	\$125,000.00
NOVEMBER 17, 1990 AND EACH SUCCEEDING NOVEMBER 17TH HEREAFTER	\$150,000.00

(C) NOTHING HEREIN SHALL OBLIGATE LESSEE TO MINE AND REMOVE COAL IF LESSEE CAN REASONABLY DEMONSTRATE THAT IT IS NOT ECONOMICALLY FEASIBLE.

7. LESSEE AGREES THAT ANY MINING DONE ON SAID PROPERTY SHALL BE IN A WORKMANLIKE MANNER IN ACCORDANCE WITH

GOOD AND ECONOMICAL MINING PRACTICES WITH DUE REGARD TO THE SAFETY, DEVELOPMENT AND PRESERVATION OF SAID PREMISES. LESSEE AGREES TO COMPLY WITH THE LAWS OF THE STATE OF UTAH, RULES AND REGULATIONS OF THE INDUSTRIAL COMMISSION OF UTAH AND LAWS OF THE UNITED STATES OF AMERICA AND WITH ALL OTHER LAWS, RULES AND REGULATIONS WHICH MAY HEREAFTER BE ENACTED OR PROMULGATED IN THE INTEREST OF SAFETY AND WORKMANLIKE OPERATIONS OF THE PREMISES CONTAINED IN THIS LEASE.

8. LESSEE AGREES AT REASONABLE TIMES AND AS REQUESTED BY THE APPROPRIATE OFFICIAL OF LESSOR TO FURNISH A PLAT OR MAP SHOWING DEVELOPMENT WORK AND IMPROVEMENTS ON THE LEASED PREMISES, AND TO FURNISH IN SUCH FORM AS LESSOR MAY REQUEST, WITHIN THIRTY (30) DAYS FROM THE EXPIRATION OF EACH QUARTER, A REPORT CERTIFIED BY LESSEE OR ITS AGENT OR REPRESENTATIVE HAVING PERSONAL KNOWLEDGE OF THE FACTS.

9. LESSEE AGREES TO PERMIT, AT REASONABLE TIMES, INSPECTION OF THE PREMISES BY AN AUTHORIZED REPRESENTATIVE OF LESSOR AND TO PERMIT INSPECTION AND THE MAKING OF COPIES OF EXTRACTS OF ALL BOOKS AND RECORDS PERTAINING TO OR DISCLOSING THE OPERATION AND/OR REMOVAL OF COAL FROM THE LEASED PREMISES.

10. LESSEE AGREES TO PAY, WHEN DUE, ALL TAXES LAWFULLY ASSESSED BY THE STATE OF UTAH, UPON IMPROVEMENTS OR OUTPUT OF COAL ON OR FROM THE LEASED PREMISES.

11. UPON TERMINATION OF THIS LEASE BY FORFEITURE OR BY EXPIRATION OF THE TERMS HEREIN PROVIDED, THE LESSEE SHALL HAVE THEN THE PRIVILEGE AT ANY TIME WITHIN EIGHTEEN (18) MONTHS THEREAFTER TO COMPLETE NECESSARY RECLAMATION WORK REQUIRED BY STATUTE AND TO REMOVE FROM THE LEASED PREMISES ALL MACHINERY, EQUIPMENT, TOOLS AND MATERIALS OTHER THAN UNDERGROUND ROOF SUPPORT WHICH IS NECESSARY FOR THE PRESERVATION OF THE MINE. UPON EXPIRATION OF THE EIGHTEEN MONTH PERIOD ANY OF THE AFORESAID PROPERTY OF LESSEE, WHICH REMAINS ON OR IN THE LEASED PREMISES, SHALL BECOME THE PROPERTY OF LESSOR.

12. LESSEE SHALL HAVE NO RIGHT TO ASSIGN OR TRANSFER THIS LEASE OR SUBLEASE SAID PROPERTY OR ANY PORTION THEREOF WITHOUT THE WRITTEN CONSENT OF THE LESSOR FIRST OBTAINED. LESSOR NOW CONSENTS, HOWEVER, THAT LESSEE MAY ASSIGN THIS LEASE WITHOUT THE WRITTEN CONSENT OF LESSOR TO: MURPHY OIL COMPANY; ANY WHOLLY OWNED SUBSIDIARY OF MURPHY OIL COMPANY; CENTURION INVESTMENT COMPANY; OR ANY WHOLLY OWNED SUBSIDIARY OF CENTURION INVESTMENT COMPANY.

13. IF ANY PORTION OF THE RENTS OR ROYALTIES FALLING DUE UNDER THE TERMS OF THIS LEASE SHALL REMAIN UNPAID FOR A PERIOD EXCEEDING THIRTY (30) DAYS, OR IF THE LESSEE SHALL FAIL TO RECTIFY ANY OTHER DEFAULT HEREUNDER WITHIN NINETY (90) DAYS AFTER SERVICE OF WRITTEN NOTICE THEREOF BY LESSOR, THEN AND IN SUCH EVENT, AT THE OPTION OF LESSOR, THIS LEASE MAY BE FORFEITED AND THE LESSOR MAY EXERCISE ALL RIGHTS OF ENTRY AND RE-ENTRY UPON THE LEASED PREMISES, PROVIDED, NEVERTHELESS, IF BY THE NATURE OF THE REMEDIAL WORK REQUIRED, IT CANNOT WITH REASONABLE DISPATCH BE CURED WITHIN A PERIOD OF NINETY (90) DAYS, THEN IF UPON SERVICE OF SAID WRITTEN NOTICE LESSEE IN GOOD FAITH COMMENCES AND WITH REASONABLE DISPATCH UNDER THE CIRCUMSTANCES THEREAFTER CONTINUES TO RECTIFY THE DEFAULT, LESSOR SHALL NOT FORFEIT OR TERMINATE THIS LEASE ON ACCOUNT OF THE DEFAULT BEING SO REMEDIED.

14. LESSOR DOES NOT WARRANT TO LESSEE THAT IT IS THE OWNER OF THE ABOVE DESCRIBED PROPERTY OR THE COAL CONTAINED THEREIN. IT IS AGREED, HOWEVER, THAT IF IT IS LEGALLY DETERMINED THAT LESSOR DOES NOT OWN THE COAL UNDER ANY OF THE LEASED LAND THEN THE LESSEE SHALL NOT BE REQUIRED TO PAY FUTURE RENTAL ON SUCH ACREAGE BUT THIS AMENDED LEASE SHALL REMAIN IN FULL FORCE AND EFFECT WITH RESPECT TO THE COAL ACREAGES OWNED BY LESSOR AND ANNUAL RENTAL SHALL BE PRO-RATED ACCORDINGLY. ON ANY ACREAGE SO DELETED, LESSEE SHALL NOT BE ENTITLED TO ANY REFUND OF ANNUAL RENTALS THERETOFORE PAID TO LESSOR.

15. LESSEE SHALL HOLD LESSOR HARMLESS ON ACCOUNT OF ANY AND ALL LIABILITY ARISING OUT OF LESSEE'S OPERATIONS ON THE LEASED PREMISES.

16. NOTICES PROVIDED HEREIN SHALL BE GIVEN IN WRITING TO THE PARTIES AS FOLLOWS:

IF TO LESSOR: CARBON COUNTY
COURT HOUSE BUILDING
PRICE, UTAH 84501
ATTN: COUNTY CLERK

IF TO LESSEE: MURCO COAL COMPANY
200 JEFFERSON AVENUE
ELDORADO, ARKANSAS 71730

ATTN: PRESIDENT

17. THIS LEASE AND AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT UNDERSTANDING BETWEEN THE PARTIES HERETO.

WITNESS THE HANDS OF THE PARTIES HERETO IN TRIPPLICATE AS OF THE DATE FIRST ABOVE SET FORTH.

CARBON COUNTY, A BODY
CORPORATE AND POLITIC OF
THE STATE OF UTAH

ATTEST:

William Brichard
COUNTY CLERK
Maig Selphay
Deputy

BY *James P. Smith*
COMMISSIONER

BY *Floyd Marx*
COMMISSIONER

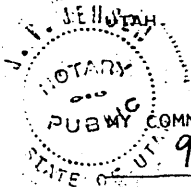
BY *Lee Vanden*
COMMISSIONER

MURCO COAL COMPANY,
A CORPORATION

BY *Robert J. Sweeney* *MR*
ITS PRESIDENT

STATE OF UTAH)
 : SS.
 COUNTY OF CARBON)

PERSONALLY APPEARED BEFORE ME THIS 5TH DAY OF
October, 1977, JAMES P. SIMONE, LEE SEMKEN, AND
 FLOYD MARX, WHO DULY ACKNOWLEDGED TO ME THAT THEY SIGNED THE
 FOREGOING DOCUMENT AS COMMISSIONERS FOR AND ON BEHALF OF
 CARBON COUNTY, A BODY CORPORATE AND POLITIC OF THE STATE OF



MY COMMISSION EXPIRES:

9-19-79

James T. Jensen
 NOTARY PUBLIC
 RESIDING AT Price, Utah

STATE OF ARKANSAS)
 : SS.
 COUNTY OF UNION)

PERSONALLY APPEARED BEFORE ME THIS 3rd DAY
 OF NOVEMBER, 1977, Robert J. Sweeney, WHO DULY
 ACKNOWLEDGED TO ME THAT HE SIGNED THE FOREGOING DOCUMENT FOR
 AND ON BEHALF OF MURCO COAL COMPANY, A CORPORATION, PURSUANT
 TO A RESOLUTION OF ITS BOARD OF DIRECTORS.

MY COMMISSION EXPIRES:

Mabel Powell
 NOTARY PUBLIC
 RESIDING AT EL DORADO, ARK.

MABEL POWELL
 Notary Public in and for Union County, Ark.
 Residing at El Dorado, Arkansas
 My commission expires Jan. 10, 1978



completed in August 2002. Annual updates to the study have been submitted with the annual reports. This study concluded after the 2005 information was submitted based on the initial parameters of the study which indicated the study would last through one (1) year after discharge from the mine decreased to a sustained flow less than 5,000 gpm.

Samples obtained at the MC-sites were monitored for total flow, TDS, TSS, and total phosphorous. In addition a stream stability cross-section and reach survey was conducted approximately 75 yards downstream of the MC-6 monitoring location. The results of these analyses were reported with the other mine water quality monitoring reports while the study was being conducted (2002-2005).

Sites MD-1, JC-1, JC-3, and ELD-1 were also added to the monitoring site list. MD-1 is a composite sample of the all the water discharged from Skyline Mine to Eccles Creek. JC-1 and JC-3 are samples of the water discharged from the two James Canyon ground and mine dewatering wells. ELD-1 reports the total flow-only from both JC-1 and JC-3. MD-1 and ELD-1 are monitored for total flow and the results are reported to the Division on a monthly basis. Quarterly, MD-1, JC-1, and JC-3 are also monitored for TSS, TDS, and total phosphorous. Since JC-3 is a PacifiCorp UPDES site, it is monitored each month for flow, TSS, TDS, oil and grease, and total iron. The UPDES sampling results are forwarded to the Division monthly.

Spring monitoring sites WQ1-1, WQ1-39, WQ3-6, WQ3-26, WQ3-41 WQ3-43, and WQ4-12 were added to the permit. Surface water sites CS-19, CS-20, and CS-21 were added as were wells 91-26-1 and 91-35-1. All of these sites are in the North Lease area. Location of these samples sites are illustrated on Drawing 2.3.6-1.

Skyline Mine has also obtained numerous water samples from within the mine for age-dating purposes. Samples have been analyzed for both stable and unstable isotopes; the majority being analyzed for tritium and carbon 14 content. The analyses results of these samples is discussed in detail in the July 2002 Addendum to the PHC. The results of repeated tritium sampling and analysis in a few location in the mine, specifically those in the 9 and 10 Left panel areas that began in August 2001, suggest that the majority of the water is not younger than 50 years. Only a few carbon 14 samples have been obtained from these

Table 2.3.7-1
Comprehensive Water Quality Analytical Schedule
(Surface and Ground Water Stations)
(continued)

Sample Site	1st Quarter						2nd ² / 3rd ³ / 4th Quarters												
	Lab Analysis ^a	Field parameters only ^{a1}	Monthly Flow	Dissolved Oxygen	TDS, TSS, T-P	O & G	Lab Analysis ^a	Qtrly Field parameters* only ¹	Quarterly Flow	Monthly Flow	Monthly Seasonal Flow	Quarterly Water Level Only	Dissolved Oxygen	TDS, TSS, T-P	O & G	Carbon 14	Tritium	Deuterium	Oxygen 18
Streams (cont.)																			
WRDS #1							X								X				
WRDS #2							X								X				
WRDS #3							X								X				
WRDS #4							X								X				
EL-1																	X		
EL-2																	X		
Springs																			
S10-1							X												
S12-1							X												
S13-2								X											
S13-7							X												
S14-4								X											
S15-3								X									X		
S17-2							X												
S22-5								X											
S22-11								X											
S23-4								X											
S24-1 Sulfur Spring								X									X		
S24-12								X											
S26-13								X											
S34-12								X											
S35-8								X											
S36-12								X											
2-413								X									X		
3-290								X											
8-253																	X		
WQ1-1								X											
WQ1-39							X												
WQ3-6							X												
WQ3-26							X												
WQ3-41							X												
WQ3-43							X												
WQ4-12							X												

TABLE 2.3.7-3
MONITORING STATION IDENTIFICATION

ECCLES CANYON/MUD CREEK DRAINAGES

STREAM STATIONS - 22 Stations

CS-1	CS-3	CS-4	CS-6	CS-9	CS-11	CS-15
VC-6	VC-9	VC-10	MC-1	MC-2	MC-3	MC-4
MC-5	MC-6	CS-19	CS-20	CS-21	VC-11	VC-12

MINE DISCHARGE STATIONS - 4 Stations

CS-12 (Mine #3) CS-14 (Mine #1) MD-1 (Composite CS-12 & CS-14)
SRD-1 (Total Mine Site Discharge to Eccles Creek/Scofield Reservoir)*

FRENCH DRAIN STATIONS - 1 Station

CS-13

HUNTINGTON CANYON

STREAM STATIONS - 12 Stations

CS-7 (F-5)	CS-8	CS-1	CS-16	CS-17	CS-18	CS-22
CS-23	UPL-3*	UPL-10	F-9	F-10	EL-1	EL-2

*Discontinued Spring, 1989

WASTEROCK DISPOSAL SITE

STREAM STATIONS - 4 Stations

WRDS #1 WRDS #2 WRDS #3 WRDS #4

GROUNDWATER STATIONS

SPRINGS - ~~25~~26 Stations

S10-1	S12-1	S13-2	S13-7	S14-4	S15-3	S17-2
S22-5	S22-11	S23-4	S24-1 Sulfur	S24-12	S26-13	S34-12
S35-8	S36-12	2-413	3-290	WQ1-39	WQ3-6	WQ3-26
WQ3-41	WQ3-43	WQ4-12	8-253	WQ1-1		

WELLS (MONITORING) - 19 Well Stations

W79-10-1B	W79-14-2A	W79-26-1	W79-35-1A	W79-35-1B
92-91-03	W2-1(98-2-1)	W20-4-1	W20-4-2	W99-4-1
W99-21-1	W99-28-1	W20- 28-1	JC-1	JC-3
	ELD-1 (Total of JC-1 and JC-3)*	91-26-1	91-35-1	

WELLS, CULINARY -Referenced but not monitored

W13-1 W13-2 W17-1 W17-3 W24-1

NATIONAL POLLUTION DISCHARGE ELIMINATION SYSTEM (NPDES)

001 Portal Area 002 Loadout Area 003 Waste Rock Area JC-3 James Canyon

* Sites are monitored for total flow only and the results are reported to the Division on a monthly basis.

Revised ~~05/22/06~~6/15/07

completed in August 2002. Annual updates to the study have been submitted with the annual reports. This study concluded after the 2005 information was submitted based on the initial parameters of the study which indicated the study would last through one (1) year after discharge from the mine decreased to a sustained flow less than 5,000 gpm.

Samples obtained at the MC-sites were monitored for total flow, TDS, TSS, and total phosphorous. In addition a stream stability cross-section and reach survey was conducted approximately 75 yards downstream of the MC-6 monitoring location. The results of these analyses were reported with the other mine water quality monitoring reports while the study was being conducted (2002-2005).

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Spring monitoring sites WQ1-1, WQ1-39, WQ3-6, WQ3-26, WQ3-41 WQ3-43, and WQ4-12 were added to the permit. Surface water sites CS-19, CS-20, and CS-21 were added as were wells 91-26-1 and 91-35-1. All of these sites are in the North Lease area. Location of these samples sites are illustrated on Drawing 2.3.6-1.

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Streams (cont.)																				
WRDS #1								X								X				
WRDS #2								X								X				
WRDS #3								X								X				
WRDS #4								X								X				
EL-1																		X		
EL-2																		X		
Springs																				
S10-1								X												
S12-1								X												
S13-2									X											
S13-7								X												
S14-4									X											
S15-3									X									X		
S17-2								X												
S22-5									X											
S22-11									X											
S23-4									X											
S24-1 Sulfur Spring									X									X		
S24-12									X											
S26-13									X											
S34-12									X											
S35-8									X											
S36-12									X											
2-413									X									X		
3-290									X											
8-253																		X		
WQ1-1									X											
WQ1-39								X												
WQ3-6								X												
WQ3-26								X												
WQ3-41								X												
WQ3-43								X												
WQ4-12								X												

TABLE 2.3.7-3
MONITORING STATION IDENTIFICATION

ECCLES CANYON/MUD CREEK DRAINAGES

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MC-5	MC-6	CS-19	CS-20	CS-21	VC-11	VC-12

MINE DISCHARGE STATIONS - 4 Stations

CS-12 (Mine #3) CS-14 (Mine #1) MD-1 (Composite CS-12 & CS-14)
SRD-1 (Total Mine Site Discharge to Eccles Creek/Scofield Reservoir)*

FRENCH DRAIN STATIONS - 1 Station

CS-13

HUNTINGTON CANYON

STREAM STATIONS - 12 Stations

CS-7 (F-5)	CS-8	CS-1	CS-16	CS-17	CS-18	CS-22
CS-23	UPL-3*	UPL-10	F-9	F-10	EL-1	EL-2

*Discontinued Spring, 1989

WASTEROCK DISPOSAL SITE

STREAM STATIONS - 4 Stations

WRDS #1 WRDS #2 WRDS #3 WRDS #4

GROUNDWATER STATIONS

SPRINGS - 26 Stations

S10-1	S12-1	S13-2	S13-7	S14-4	S15-3	S17-2
S22-5	S22-11	S23-4	S24-1 Sulfur	S24-12	S26-13	S34-12
S35-8	S36-12	2-413	3-290	WQ1-39	WQ3-6	WQ3-26
WQ3-41	WQ3-43	WQ4-12	8-253	WQ1-1		

WELLS (MONITORING) - 19 Well Stations

W79-10-1B	W79-14-2A	W79-26-1	W79-35-1A	W79-35-1B
92-91-03	W2-1(98-2-1)	W20-4-1	W20-4-2	W99-4-1
W99-21-1	W99-28-1	W20- 28-1	JC-1	JC-3
	ELD-1 (Total of JC-1 and JC-3)*	91-26-1	91-35-1	

WELLS, CULINARY -Referenced but not monitored

W13-1 W13-2 W17-1 W17-3 W24-1

NATIONAL POLLUTION DISCHARGE ELIMINATION SYSTEM (NPDES)

001 Portal Area 002 Loadout Area 003 Waste Rock Area JC-3 James Canyon

* Sites are monitored for total flow only and the results are reported to the Division on a monthly basis.

The mains developed to access the North Lease area will be driven through the SW1/4 SW 1/4 of Section 12, Township 13 South, Range 6 East. Multiple entries will be driven north from existing workings within the unsealed southeastern portion of Mine 3 workings (Drawing 3.1.8-2). As the mains approach the northeast portion of the abandoned Mine 3 workings, they will be angled downward to go under the abandoned workings instead of through. This portion of Mine 3 was flooded by pumping water from Mine 2 into Mine 3 beginning in March 1999. This pumping continued until August 2002. At that time, the water level in the abandoned Mine 3 was reduced in the abandoned portion of Mine 3 to an elevation below the northeast corner of Mine 3 and at or below the level of the new entries. Draining of Mine 3 continues as mining advances north, west and down dip of the Mine 3 workings. Removing the water from the abandoned portion of Mine 3 removes the risk of flooding the new entries from water in Mine 3.

The abandoned Winter Quarters Mine workings are illustrated on Drawing 3.1.8-2. The new entries to the North Lease area are driven at least 300 feet horizontally from the closest point in the abandoned Winter Quarters Mine. As required by MSHA, exploratory drilling was conducted at required intervals to ensure Skyline Mine does not intercept the abandoned Winter Quarters Mine.

In the North Lease, longwall mining is scheduled to commence in early 2006. Undermining of portions of Winter Quarters Creek and Woods Canyon creek are planned, but only minor surface subsidence is anticipated. A portion of land, approximately 397-acres, located on the north side of Winter Quarters Creek is identified as a potential first-mining area. Based on BLM recommendations for Maximum Economic Recovery (MER), the area will be mined by conventional methods should suitable conditions exist. No subsidence is anticipated in this area, should this area be determined to be mineable.

In 2007, due to a change in the longwall panel configuration in the North Lease located north of Winter Quarters Canyon an Incidental Boundary Change (IBC) modification was added to the permit. Development / conventional mining in the W1/2 of Section 1 and N1/2 NW1/4 of Section 12, Township 13 South, Range 6 East was added. No subsidence or surface disturbance is anticipated in this area based on the proposed activity.

3.1.3 Method of Mining

In order to achieve maximum coal reserve recovery and enhance overall production rates, the mining plan, as developed to date and herein proposed, involves two mining methodologies most appropriate for

The mains developed to access the North Lease area will be driven through the SW1/4 SW 1/4 of Section 12, Township 13 South, Range 6 East. Multiple entries will be driven north from existing workings within the unsealed southeastern portion of Mine 3 workings (Drawing 3.1.8-2). As the mains approach the northeast portion of the abandoned Mine 3 workings, they will be angled downward to go under the abandoned workings instead of through. This portion of Mine 3 was flooded by pumping water from Mine 2 into Mine 3 beginning in March 1999. This pumping continued until August 2002. At that time, the water level in the abandoned Mine 3 was reduced in the abandoned portion of Mine 3 to an elevation below the northeast corner of Mine 3 and at or below the level of the new entries. Draining of Mine 3 continues as mining advances north, west and down dip of the Mine 3 workings. Removing the water from the abandoned portion of Mine 3 removes the risk of flooding the new entries from water in Mine 3.

The abandoned Winter Quarters Mine workings are illustrated on Drawing 3.1.8-2. The new entries to the North Lease area are driven at least 300 feet horizontally from the closest point in the abandoned Winter Quarters Mine. As required by MSHA, exploratory drilling was conducted at required intervals to ensure Skyline Mine does not intercept the abandoned Winter Quarters Mine.

In the North Lease, longwall mining is scheduled to commence in early 2006. Undermining of portions of Winter Quarters Creek and Woods Canyon creek are planned, but only minor surface subsidence is anticipated. A portion of land, approximately 397-acres, located on the north side of Winter Quarters Creek is identified as a potential first-mining area. Based on BLM recommendations for Maximum Economic Recovery (MER), the area will be mined by conventional methods should suitable conditions exist. No subsidence is anticipated in this area, should this area be determined to be mineable.

In 2007, due to a change in the longwall panel configuration in the North Lease located north of Winter Quarters Canyon an Incidental Boundary Change (IBC) modification was added to the permit. Development / conventional mining in the W1/2 of Section 1 and N1/2 NW1/4 of Section 12, Township 13 South, Range 6 East was added. No subsidence or surface disturbance is anticipated in this area based on the proposed activity.

3.1.3 Method of Mining

In order to achieve maximum coal reserve recovery and enhance overall production rates, the mining plan, as developed to date and herein proposed, involves two mining methodologies most appropriate for